

# **ANNUAL FINANCIAL REPORT**

## **MORGAN COUNTY, TENNESSEE**

**FOR THE YEAR ENDED JUNE 30, 2017**



**DIVISION OF LOCAL GOVERNMENT AUDIT**



**ANNUAL FINANCIAL REPORT**  
**MORGAN COUNTY, TENNESSEE**  
**FOR THE YEAR ENDED JUNE 30, 2017**

***COMPTROLLER OF THE TREASURY***  
***JUSTIN P. WILSON***

***DIVISION OF LOCAL GOVERNMENT AUDIT***  
***JAMES R. ARNETTE***  
***Director***

***MARK TREECE, CPA, CGFM***  
***Audit Manager***

***AMY SOSVILLE, CPA***  
***Auditor 4***

***STEPHEN ALRED***  
***JAKE ROGERS***  
***DOUG SANDIDGE, CISA, CFE***  
***State Auditors***

This financial report is available at **[www.comptroller.tn.gov](http://www.comptroller.tn.gov)**

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## ***Summary of Audit Findings***

Annual Financial Report  
Morgan County, Tennessee  
For the Year Ended June 30, 2017

### ***Scope***

We have audited the basic financial statements of Morgan County as of and for the year ended June 30, 2017.

### ***Results***

Our report on Morgan County's financial statements is unmodified.

Our audit resulted in six findings and recommendations, which we have reviewed with Morgan County management. Details of the findings, recommendations, and management's responses are included in the Single Audit section of this report.

### ***Findings***

The following are summaries of the audit findings:

#### **OFFICE OF TRUSTEE**

- ◆ Bank statements were not accurately reconciled with the general ledger in a timely manner.

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#### **OFFICE OF SHERIFF**

- ◆ The Sheriff's Department had payroll related deficiencies.

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#### **OFFICES OF REGISTER OF DEEDS AND SHERIFF**

- ◆ Duties were not segregated adequately.

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#### **OTHER FINDINGS**

- ◆ The county's Audit Committee is not a functioning committee.
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## **INVESTIGATIVE FINDINGS OFFICE OF SHERIFF**

- ◆ The office had deficiencies in the operation of a commissary.
- ◆ A school resource officer was not certified.

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## INTRODUCTORY SECTION

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## Morgan County Officials

### June 30, 2017

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#### **Officials**

Don Edwards, County Executive  
Joe H. Miller, Road Superintendent  
Ronnie Wilson, Director of Schools  
Cindi Jones, Trustee  
Gilford Wilson, Assessor of Property  
Cheryl Collins, County Clerk  
Pamela Keck, Circuit and General Sessions Courts Clerk  
Angela Anderson, Clerk and Master  
Sandy Leach-Dalton, Register of Deeds  
Glendon Freytag, Sheriff  
Gary Howard, Director of Finance

#### **Board of County Commissioners**

Don Edwards, County Executive, Chairman  
David Hennessee  
Terry Jackson  
Pat Goad  
Michael McGrath  
Bill Shannon  
David Hamby  
Earl Headrick  
Freddie Seavers  
Mark Sweat

Travis Gosnell  
Steve Walls  
Randy Roberts  
Jerry Zorsch  
Dennis Freels  
Vera Scarbrough  
Fred Snow  
Janet Adkisson  
Lee Smith

#### **Board of Education**

Wade Summers, Chairman  
Tony Dagley  
Deborah Landrum

Glen Moore  
Michael Ledbetter  
William Ward

#### **Financial Management Committee**

Earl Headrick, Chairman  
Don Edwards, County Executive  
Ronnie Wilson, Director of Schools  
Joe H. Miller, Road Superintendent

Pat Goad  
David Hamby  
Janet Adkisson

#### **Audit Committee**

Bryan Taylor, Chairman  
Carla LaRue

Mickey Tucker

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## FINANCIAL SECTION

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JUSTIN P. WILSON  
*Comptroller*

JASON E. MUMPOWER  
*Chief of Staff*

## Independent Auditor's Report

Morgan County Executive and  
Board of County Commissioners  
Morgan County, Tennessee

To the County Executive and Board of County Commissioners:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Morgan County, Tennessee, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the county's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Morgan County, Tennessee, as of June 30, 2017, and the respective changes in financial position thereof and the respective budgetary comparison for the General, Solid Waste/Sanitation, and Highway/Public Works funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the schedule of changes in the county's net pension liability and related ratios, schedule of county contributions, schedule of school's proportionate share of the net pension liability, and schedule of funding progress - other postemployment benefits plan on pages 85-92 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards

Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Morgan County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Morgan County School Department (a discretely presented component unit), and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

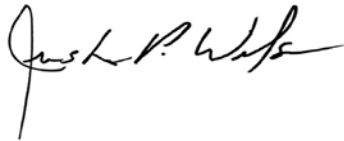
The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Morgan County School Department (a discretely presented component unit), miscellaneous schedules, and schedule of expenditures of federal awards, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Morgan County School Department (a discretely presented component unit), miscellaneous schedules, and schedule of expenditures of federal awards, are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated January 25, 2018, on our consideration of Morgan County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Morgan County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Morgan County's internal control over financial reporting and compliance.

Very truly yours,

A handwritten signature in black ink, appearing to read "Justin P. Wilson", with a long vertical line extending downwards from the end of the signature.

Justin P. Wilson  
Comptroller of the Treasury  
Nashville, Tennessee

January 25, 2018

JPW/sb

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# BASIC FINANCIAL STATEMENTS

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Exhibit A

Morgan County, Tennessee  
Statement of Net Position  
June 30, 2017

	Primary Government Governmental Activities	Component Unit Morgan County School Department
<u>ASSETS</u>		
Cash	\$ 1,318	\$ 1,188
Equity in Pooled Cash and Investments	7,553,054	6,058,712
Accounts Receivable	202,800	40,819
Allowance for Uncollectibles	(53,935)	0
Due from Other Governments	542,507	316,778
Due from Component Units	72,313	0
Property Taxes Receivable	6,995,852	3,007,267
Allowance for Uncollectible Property Taxes	(346,813)	(149,082)
Prepaid Items	88,364	0
Net Pension Asset - Teacher Retirement Plan	0	16,708
Capital Assets:		
Assets Not Depreciated:		
Land	627,952	1,112,193
Assets Net of Accumulated Depreciation:		
Buildings and Improvements	4,286,072	16,586,040
Infrastructure	947,605	0
Other Capital Assets	976,612	2,104,103
Total Assets	<u>\$ 21,893,701</u>	<u>\$ 29,094,726</u>
<u>DEFERRED OUTFLOW OF RESOURCES</u>		
Pension Changes in Experience	\$ 0	\$ 85,925
Pension Changes in Investment Earnings	337,580	2,526,902
Pension Contributions after Measurement Date	352,314	1,395,084
Pension - Other Deferrals	0	173,961
Total Deferred Outflow of Resources	<u>\$ 689,894</u>	<u>\$ 4,181,872</u>
<u>LIABILITIES</u>		
Accounts Payable	\$ 11,721	\$ 1,045
Accrued Payroll	118,697	0
Accrued Interest Payable	68,096	0
Payroll Deductions Payable	0	381,986
Due to Primary Government	0	72,313
Noncurrent Liabilities:		
Due Within One Year	1,623,192	102,944
Due in More Than One Year	16,972,834	2,739,777
Total Liabilities	<u>\$ 18,794,540</u>	<u>\$ 3,298,065</u>

(Continued)



Exhibit A

Morgan County, Tennessee  
Statement of Net Position (Cont.)

	Primary Government Governmental Activities	Component Unit Morgan County School Department
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred Current Property Taxes	\$ 6,299,077	\$ 2,707,748
Pension Changes in Experience	179,719	2,580,294
Pension - Other Deferrals	0	100,343
Total Deferred Inflows of Resources	<u>\$ 6,478,796</u>	<u>\$ 5,388,385</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	\$ 5,047,725	\$ 19,802,336
Restricted for:		
General Government	37,241	0
Administration of Justice	34,621	0
Public Safety	55,566	0
Public Health and Welfare	253,203	0
Highway/Public Works	3,267,173	0
Education	0	1,848,282
Pensions	0	16,708
Unrestricted	<u>(11,385,270)</u>	<u>2,922,822</u>
Total Net Position	<u>\$ (2,689,741)</u>	<u>\$ 24,590,148</u>

The notes to the financial statements are an integral part of this statement.

Exhibit B

Morgan County, Tennessee  
Statement of Activities  
For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary	Component Unit
					Government	Morgan County School Department
					Total Governmental Activities	
Primary Government:						
Governmental Activities:						
General Government	\$ 1,309,832	\$ 210,903	\$ 31,417	\$ 0	\$ (1,067,512)	\$ 0
Finance	794,212	491,487	0	0	(302,725)	0
Administration of Justice	873,250	388,178	9,405	0	(475,667)	0
Public Safety	3,467,996	229,462	208,060	0	(3,030,474)	0
Public Health and Welfare	3,113,580	1,423,917	70,074	475,736	(1,143,853)	0
Social, Cultural, and Recreational Services	107,706	13,340	5,500	0	(88,866)	0
Agriculture and Natural Resources	81,085	0	0	0	(81,085)	0
Highways	2,614,363	58,604	1,885,908	702,052	32,201	0
Interest on Long-term Debt	877,037	0	0	0	(877,037)	0
Total Primary Government	<u>\$ 13,239,061</u>	<u>\$ 2,815,891</u>	<u>\$ 2,210,364</u>	<u>\$ 1,177,788</u>	<u>\$ (7,035,018)</u>	<u>\$ 0</u>
Component Unit:						
Morgan County School Department	\$ 28,644,918	\$ 195,579	\$ 5,319,810	\$ 0	0	\$ (23,129,529)
Total Component Unit	<u>\$ 28,644,918</u>	<u>\$ 195,579</u>	<u>\$ 5,319,810</u>	<u>\$ 0</u>	<u>0</u>	<u>\$ (23,129,529)</u>

(Continued)

Exhibit B

Morgan County, Tennessee  
Statement of Activities (Cont.)

				Net (Expense) Revenue and Changes in Net Position	
				Primary Government	Component Unit
					Morgan County School Department
Functions/Programs	Expenses	Program Revenues		Total Governmental Activities	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes				\$ 4,769,990	\$ 2,684,261
Property Taxes Levied for Solid Waste/Sanitation				809,409	0
Property Taxes Levied for Highway/Public Works				67,800	0
Property Taxes Levied for General Debt Service				626,793	0
Local Option Sales Taxes				896,763	0
Mineral Severance Tax				37,713	0
Other Local Taxes				193,270	71,028
Grants and Contributions Not Restricted to Specific Programs				1,046,725	20,538,055
Unrestricted Investment Income				1,953	7,986
Miscellaneous				66,149	4,661
Total General Revenues				<u>\$ 8,516,565</u>	<u>\$ 23,305,991</u>
Change in Fair Value of Derivative - Interest Rate Swap				\$ (1,310,000)	\$ 0
Change in Net Position				\$ 171,547	\$ 176,462
Net Position, July 1, 2016				<u>(2,861,288)</u>	<u>24,413,686</u>
Net Position, June 30, 2017				<u>\$ (2,689,741)</u>	<u>\$ 24,590,148</u>

The notes to the financial statements are an integral part of this statement.

Exhibit C-1

Morgan County, Tennessee  
Balance Sheet  
Governmental Funds  
June 30, 2017

	Major Funds				Nonmajor Funds	
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Govern- mental Funds	Total Governmental Funds
<u>ASSETS</u>						
Cash	\$ 0	\$ 0	\$ 168	\$ 0	\$ 1,150	\$ 1,318
Equity in Pooled Cash and Investments	1,857,266	224,297	3,020,786	2,245,507	205,198	7,553,054
Accounts Receivable	189,280	12,865	655	0	0	202,800
Allowance for Uncollectibles	(53,935)	0	0	0	0	(53,935)
Due from Other Governments	43,270	11,148	309,031	149,036	30,022	542,507
Due from Other Funds	5,179	0	0	0	0	5,179
Property Taxes Receivable	5,318,114	905,345	75,973	696,420	0	6,995,852
Allowance for Uncollectible Property Taxes	(263,640)	(44,882)	(3,766)	(34,525)	0	(346,813)
Prepaid Items	68,298	9,125	10,941	0	0	88,364
Total Assets	<u>\$ 7,163,832</u>	<u>\$ 1,117,898</u>	<u>\$ 3,413,788</u>	<u>\$ 3,056,438</u>	<u>\$ 236,370</u>	<u>\$ 14,988,326</u>
<u>LIABILITIES</u>						
Accounts Payable	\$ 11,721	\$ 0	\$ 0	\$ 0	\$ 0	\$ 11,721
Accrued Payroll	92,602	6,739	19,356	0	0	118,697
Due to Other Funds	0	4,029	0	0	1,150	5,179
Total Liabilities	<u>\$ 104,323</u>	<u>\$ 10,768</u>	<u>\$ 19,356</u>	<u>\$ 0</u>	<u>\$ 1,150</u>	<u>\$ 135,597</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Deferred Current Property Taxes	\$ 4,788,439	\$ 815,174	\$ 68,407	\$ 627,057	\$ 0	\$ 6,299,077
Deferred Delinquent Property Taxes	249,404	42,458	3,562	32,660	0	328,084
Other Deferred/Unavailable Revenue	54,096	0	151,322	74,518	0	279,936
Total Deferred Inflows of Resources	<u>\$ 5,091,939</u>	<u>\$ 857,632</u>	<u>\$ 223,291</u>	<u>\$ 734,235</u>	<u>\$ 0</u>	<u>\$ 6,907,097</u>

(Continued)

Exhibit C-1

Morgan County, Tennessee  
Balance Sheet  
Governmental Funds (Cont.)

	Major Funds				Nonmajor Funds	
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Govern- mental Funds	Total Governmental Funds
<u>FUND BALANCES</u>						
Nonspendable:						
Prepaid Items	\$ 68,298	\$ 9,125	\$ 10,941	\$ 0	\$ 0	\$ 88,364
Restricted:						
Restricted for General Government	37,241	0	0	0	0	37,241
Restricted for Administration of Justice	34,621	0	0	0	0	34,621
Restricted for Public Safety	0	0	0	0	55,566	55,566
Restricted for Public Health and Welfare	0	240,373	0	0	0	240,373
Restricted for Highways/Public Works	0	0	3,129,054	0	0	3,129,054
Committed:						
Committed for Public Safety	5,773	0	0	0	0	5,773
Committed for Public Health and Welfare	1,050	0	0	0	0	1,050
Committed for Social, Cultural, and Recreational Services	22,451	0	0	0	0	22,451
Committed for Highways/Public Works	0	0	31,146	0	0	31,146
Committed for Debt Service	0	0	0	2,322,203	0	2,322,203
Committed for Capital Projects	0	0	0	0	179,654	179,654
Assigned:						
Assigned for General Government	3,250	0	0	0	0	3,250
Assigned for Finance	3,238	0	0	0	0	3,238
Assigned for Administration of Justice	3,228	0	0	0	0	3,228
Assigned for Public Safety	6,572	0	0	0	0	6,572
Assigned for Public Health and Welfare	7,700	0	0	0	0	7,700
Unassigned	1,774,148	0	0	0	0	1,774,148
Total Fund Balances	<u>\$ 1,967,570</u>	<u>\$ 249,498</u>	<u>\$ 3,171,141</u>	<u>\$ 2,322,203</u>	<u>\$ 235,220</u>	<u>\$ 7,945,632</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 7,163,832</u>	<u>\$ 1,117,898</u>	<u>\$ 3,413,788</u>	<u>\$ 3,056,438</u>	<u>\$ 236,370</u>	<u>\$ 14,988,326</u>

The notes to the financial statements are an integral part of this statement.

Exhibit C-2

Morgan County, Tennessee  
Reconciliation of the Balance Sheet of Governmental  
Funds to the Statement of Net Position  
June 30, 2017

Amounts reported for governmental activities in the statement  
of net position (Exhibit A) are different because:

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$	7,945,632
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	627,952	
Add: infrastructure net of accumulated depreciation		947,605	
Add: buildings and improvements net of accumulated depreciation		4,286,072	
Add: other capital assets net of accumulated depreciation		<u>976,612</u>	6,838,241
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: bonds payable	\$	(15,440,000)	
Less: notes payable		(14,606)	
Less: other loans payable		(2,217,000)	
Less: capital leases payable		(299,901)	
Add: capital lease to be paid by contributions from the School Department		72,313	
Less: compensated absences payable		(217,573)	
Less: landfill closure/postclosure care costs		(154,838)	
Less: accrued interest on bonds, notes, other loans, and capital leases		(68,096)	
Less: net pension liability		(73,831)	
Less: unamortized premium on debt		<u>(178,277)</u>	(18,591,809)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			608,020
(4) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years:			
Add: deferred outflows of resources related to pensions	\$	689,894	
Less: deferred inflows of resources related to pensions		<u>(179,719)</u>	<u>510,175</u>
Net position of governmental activities (Exhibit A)		\$	<u><u>(2,689,741)</u></u>

The notes to the financial statements are an integral part of this statement.

Exhibit C-3

Morgan County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2017

	Major Funds				Nonmajor Funds	
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Govern- mental Funds	Total Governmental Funds
<u>Revenues</u>						
Local Taxes	\$ 4,990,836	\$ 808,385	\$ 105,272	\$ 1,522,839	\$ 0	\$ 7,427,332
Licenses and Permits	64,159	0	0	0	0	64,159
Fines, Forfeitures, and Penalties	112,371	0	0	0	51,020	163,391
Charges for Current Services	1,191,035	232,111	0	0	31,830	1,454,976
Other Local Revenues	124,512	22,203	58,604	0	2,586	207,905
Fees Received From County Officials	754,612	0	0	0	0	754,612
State of Tennessee	635,115	38,592	2,587,960	0	67,281	3,328,948
Federal Government	23,703	0	0	0	538,750	562,453
Other Governments and Citizens Groups	153,245	0	0	593,055	3,698	749,998
Total Revenues	\$ 8,049,588	\$ 1,101,291	\$ 2,751,836	\$ 2,115,894	\$ 695,165	\$ 14,713,774
<u>Expenditures</u>						
Current:						
General Government	\$ 1,006,203	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,006,203
Finance	817,507	0	0	0	352	817,859
Administration of Justice	814,573	0	0	0	31,478	846,051
Public Safety	3,472,373	0	0	0	35,236	3,507,609
Public Health and Welfare	1,676,262	1,083,928	0	0	0	2,760,190
Social, Cultural, and Recreational Services	84,808	0	0	0	0	84,808
Agriculture and Natural Resources	81,085	0	0	0	0	81,085
Other Operations	189,914	19,930	0	0	0	209,844
Highways	0	0	2,709,054	0	0	2,709,054
Debt Service:						
Principal on Debt	144,074	39,765	0	710,122	0	893,961
Interest on Debt	11,623	2,356	0	646,154	0	660,133
Other Debt Service	0	0	0	1,598,279	0	1,598,279

(Continued)

Exhibit C-3

Morgan County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Governmental Funds (Cont.)

	Major Funds				Nonmajor Funds Other Govern- mental Funds	Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service		
<u>Expenditures (Cont.)</u>						
Capital Projects	\$ 0	\$ 0	\$ 0	\$ 0	\$ 547,908	\$ 547,908
Total Expenditures	\$ 8,298,422	\$ 1,145,979	\$ 2,709,054	\$ 2,954,555	\$ 614,974	\$ 15,722,984
 Excess (Deficiency) of Revenues Over Expenditures	 \$ (248,834)	 \$ (44,688)	 \$ 42,782	 \$ (838,661)	 \$ 80,191	 \$ (1,009,210)
<u>Other Financing Sources (Uses)</u>						
Capital Leases Issued	\$ 127,224	\$ 0	\$ 0	\$ 0	\$ 0	\$ 127,224
Refunding Debt Issued	0	0	0	11,560,000	0	11,560,000
Premiums on Debt Sold	0	0	0	133,648	0	133,648
Insurance Recovery	20,701	25,050	1,986	0	0	47,737
Transfers In	23,886	0	0	0	0	23,886
Transfers Out	0	0	0	0	(23,886)	(23,886)
Payments to Refunded Debt Escrow Agent	0	0	0	(10,748,830)	0	(10,748,830)
Total Other Financing Sources (Uses)	\$ 171,811	\$ 25,050	\$ 1,986	\$ 944,818	\$ (23,886)	\$ 1,119,779
 Net Change in Fund Balances	 \$ (77,023)	 \$ (19,638)	 \$ 44,768	 \$ 106,157	 \$ 56,305	 \$ 110,569
Fund Balance, July 1, 2016	2,044,593	269,136	3,126,373	2,216,046	178,915	7,835,063
 Fund Balance, June 30, 2017	 \$ 1,967,570	 \$ 249,498	 \$ 3,171,141	 \$ 2,322,203	 \$ 235,220	 \$ 7,945,632

The notes to the financial statements are an integral part of this statement.



Exhibit C-4

Morgan County, Tennessee  
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2017

Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because:

Net change in fund balances - total governmental funds (Exhibit C-3)		\$	110,569
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:			
Add: capital assets purchased in the current period	\$	522,336	
Less: current-year depreciation expense		(597,567)	(75,231)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net position.			
Add: assets donated and capitalized			32,036
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
Add: deferred delinquent property taxes and other deferred June 30, 2017	\$	608,020	
Less: deferred delinquent property taxes and other deferred June 30, 2016		(564,407)	43,613
(4) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:			
Add: principal payments on bonds	\$	375,000	
Add: principal payments on notes		28,307	
Add: principal payments on other loans		238,000	
Add: principal payments on capital leases		252,654	
Add: debt principal refunded		10,750,000	
Less: capital lease proceeds		(127,224)	
Less: refunding debt proceeds		(11,560,000)	
Less: premium received on debt proceeds		(133,648)	
Add: amortization of premium on debt issuances		38,337	
Less: contributions from the School Department for capital lease payments		(68,815)	(207,389)
(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.			
Change in accrued interest payable	\$	31,868	
Change in compensated absences payable		(11,835)	
Change in landfill closure/postclosure care costs		17,119	
Change in net pension liability/asset		(175,795)	
Change in deferred outflows related to pensions		342,789	
Change in deferred inflows related to pensions		63,803	267,949
Change in net position of governmental activities (Exhibit B)		\$	<u>171,547</u>

The notes to the financial statements are an integral part of this statement.

Exhibit C-5

Morgan County, Tennessee  
Statement of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
General Fund  
For the Year Ended June 30, 2017

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2016	Add: Encumbrances 6/30/2017	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 4,990,836	\$ 0	\$ 0	\$ 4,990,836	\$ 4,981,015	\$ 4,982,015	\$ 8,821
Licenses and Permits	64,159	0	0	64,159	47,100	47,100	17,059
Fines, Forfeitures, and Penalties	112,371	0	0	112,371	101,950	111,950	421
Charges for Current Services	1,191,035	0	0	1,191,035	929,500	1,012,522	178,513
Other Local Revenues	124,512	0	0	124,512	215,204	218,803	(94,291)
Fees Received From County Officials	754,612	0	0	754,612	757,000	757,000	(2,388)
State of Tennessee	635,115	0	0	635,115	639,915	628,882	6,233
Federal Government	23,703	0	0	23,703	0	21,703	2,000
Other Governments and Citizens Groups	153,245	0	0	153,245	109,847	116,266	36,979
Total Revenues	\$ 8,049,588	\$ 0	\$ 0	\$ 8,049,588	\$ 7,781,531	\$ 7,896,241	\$ 153,347
<u>Expenditures</u>							
<u>General Government</u>							
County Commission	\$ 98,613	\$ 0	\$ 0	\$ 98,613	\$ 93,595	\$ 100,863	\$ 2,250
County Mayor/Executive	155,955	0	0	155,955	159,795	160,295	4,340
County Attorney	42,141	0	0	42,141	10,500	42,617	476
Election Commission	146,255	0	0	146,255	146,391	146,391	136
Register of Deeds	134,086	(2,083)	911	132,914	137,273	137,273	4,359
County Buildings	429,153	(24)	0	429,129	411,948	433,360	4,231
<u>Finance</u>							
Accounting and Budgeting	255,908	(504)	2,200	257,604	262,088	262,088	4,484
Property Assessor's Office	192,160	(372)	466	192,254	195,823	196,123	3,869
Reappraisal Program	4,916	0	0	4,916	5,200	5,200	284
County Trustee's Office	174,108	0	452	174,560	182,061	182,061	7,501
County Clerk's Office	190,415	(30)	120	190,505	198,507	198,507	8,002
<u>Administration of Justice</u>							
Circuit Court	275,771	0	2,847	278,618	300,612	285,612	6,994
Criminal Court	4,226	0	0	4,226	9,600	9,600	5,374
General Sessions Court	48,345	0	381	48,726	46,940	49,340	614
General Sessions Judge	145,787	0	0	145,787	146,495	146,495	708

(Continued)

## Exhibit C-5

Morgan County, Tennessee  
Statement of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
General Fund (Cont.)

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2016	Add: Encumbrances 6/30/2017	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Administration of Justice (Cont.)</u>							
Drug Court	\$ 57,593	\$ 0	\$ 0	\$ 57,593	\$ 71,300	\$ 71,300	\$ 13,707
Chancery Court	164,520	(248)	0	164,272	165,859	165,859	1,587
Juvenile Court	47,568	0	0	47,568	44,458	49,058	1,490
Courtroom Security	70,763	0	0	70,763	70,410	70,910	147
<u>Public Safety</u>							
Sheriff's Department	1,387,251	(6,216)	6,372	1,387,407	1,327,733	1,401,796	14,389
Jail	1,496,096	(28)	100	1,496,168	1,268,217	1,507,405	11,237
Juvenile Services	1,020	0	0	1,020	1,000	1,020	0
Fire Prevention and Control	129,190	0	0	129,190	128,741	129,355	165
Civil Defense	32,043	0	0	32,043	23,504	32,103	60
Rescue Squad	3,000	0	0	3,000	3,000	3,000	0
Other Emergency Management	385,565	0	0	385,565	394,802	402,802	17,237
County Coroner/Medical Examiner	32,639	0	0	32,639	25,085	35,085	2,446
Other Public Safety	5,569	0	0	5,569	7,800	7,385	1,816
<u>Public Health and Welfare</u>							
Local Health Center	54,440	0	0	54,440	47,412	59,966	5,526
Ambulance/Emergency Medical Services	1,585,961	(6,174)	7,750	1,587,537	1,468,583	1,620,533	32,996
Crippled Children Services	5,360	0	0	5,360	5,937	5,937	577
Other Local Health Services	30,501	0	0	30,501	47,452	47,452	16,951
<u>Social, Cultural, and Recreational Services</u>							
Senior Citizens Assistance	1,600	0	0	1,600	4,200	4,200	2,600
Libraries	82,008	0	50	82,058	69,012	82,064	6
Parks and Fair Boards	1,200	(1,924)	2,339	1,615	2,500	2,500	885
<u>Agriculture and Natural Resources</u>							
Agricultural Extension Service	67,085	0	0	67,085	78,390	78,390	11,305
Soil Conservation	14,000	0	0	14,000	14,000	14,000	0
<u>Other Operations</u>							
Tourism	4,000	0	0	4,000	0	4,000	0
Other Economic and Community Development	23,000	0	0	23,000	23,000	23,000	0

(Continued)

Exhibit C-5

Morgan County, Tennessee  
Statement of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
General Fund (Cont.)

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2016	Add: Encumbrances 6/30/2017	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Other Operations (Cont.)</u>							
Veterans' Services	\$ 25,103	\$ 0	\$ 0	\$ 25,103	\$ 25,500	\$ 25,500	\$ 397
Miscellaneous	137,811	0	0	137,811	139,800	139,800	1,989
<u>Principal on Debt</u>							
General Government	144,074	0	0	144,074	97,917	144,075	1
<u>Interest on Debt</u>							
General Government	11,623	0	0	11,623	13,283	11,625	2
Total Expenditures	\$ 8,298,422	\$ (17,603)	\$ 23,988	\$ 8,304,807	\$ 7,875,723	\$ 8,495,945	\$ 191,138
Excess (Deficiency) of Revenues Over Expenditures	\$ (248,834)	\$ 17,603	\$ (23,988)	\$ (255,219)	\$ (94,192)	\$ (599,704)	\$ 344,485
<u>Other Financing Sources (Uses)</u>							
Capital Leases Issued	\$ 127,224	\$ 0	\$ 0	\$ 127,224	\$ 0	\$ 127,224	\$ 0
Insurance Recovery	20,701	0	0	20,701	0	20,701	0
Transfers In	23,886	0	0	23,886	23,886	23,886	0
Total Other Financing Sources	\$ 171,811	\$ 0	\$ 0	\$ 171,811	\$ 23,886	\$ 171,811	\$ 0
Net Change in Fund Balance	\$ (77,023)	\$ 17,603	\$ (23,988)	\$ (83,408)	\$ (70,306)	\$ (427,893)	\$ 344,485
Fund Balance, July 1, 2016	2,044,593	(17,603)	0	2,026,990	2,002,124	2,002,124	24,866
Fund Balance, June 30, 2017	\$ 1,967,570	\$ 0	\$ (23,988)	\$ 1,943,582	\$ 1,931,818	\$ 1,574,231	\$ 369,351

The notes to the financial statements are an integral part of this statement.

Exhibit C-6

Morgan County, Tennessee  
Statement of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Solid Waste/Sanitation Fund  
For the Year Ended June 30, 2017

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2016	Add: Encumbrances 6/30/2017	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 808,385	\$ 0	\$ 0	\$ 808,385	\$ 821,323	\$ 821,323	\$ (12,938)
Charges for Current Services	232,111	0	0	232,111	205,000	205,000	27,111
Other Local Revenues	22,203	0	0	22,203	27,500	27,500	(5,297)
State of Tennessee	38,592	0	0	38,592	33,700	33,700	4,892
Total Revenues	\$ 1,101,291	\$ 0	\$ 0	\$ 1,101,291	\$ 1,087,523	\$ 1,087,523	\$ 13,768
<u>Expenditures</u>							
<u>Public Health and Welfare</u>							
Sanitation Management	\$ 115,932	\$ 0	\$ 0	\$ 115,932	\$ 110,350	\$ 116,609	\$ 677
Sanitation Education/Information	34,111	0	0	34,111	34,700	34,700	589
Waste Pickup	449,295	(10,757)	25,737	464,275	488,694	493,349	29,074
Convenience Centers	285,378	(9,000)	2,900	279,278	314,938	314,938	35,660
Recycling Center	79,146	0	0	79,146	80,609	80,609	1,463
Landfill Operation and Maintenance	120,066	(11,172)	15,087	123,981	158,110	151,377	27,396
<u>Other Operations</u>							
Other Charges	18,490	0	0	18,490	22,000	22,000	3,510
Miscellaneous	1,440	0	0	1,440	2,050	2,050	610
<u>Principal on Debt</u>							
General Government	39,765	0	0	39,765	38,637	39,765	0
<u>Interest on Debt</u>							
General Government	2,356	0	0	2,356	3,485	2,357	1
Total Expenditures	\$ 1,145,979	\$ (30,929)	\$ 43,724	\$ 1,158,774	\$ 1,253,573	\$ 1,257,754	\$ 98,980
Excess (Deficiency) of Revenues Over Expenditures	\$ (44,688)	\$ 30,929	\$ (43,724)	\$ (57,483)	\$ (166,050)	\$ (170,231)	\$ 112,748
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 25,050	\$ 0	\$ 0	\$ 25,050	\$ 25,050	\$ 25,050	\$ 0
Total Other Financing Sources	\$ 25,050	\$ 0	\$ 0	\$ 25,050	\$ 25,050	\$ 25,050	\$ 0

(Continued)

Exhibit C-6

Morgan County, Tennessee  
Statement of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Solid Waste/Sanitation Fund (Cont.)

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2016	Add: Encumbrances 6/30/2017	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Net Change in Fund Balance	\$ (19,638)	\$ 30,929	\$ (43,724)	\$ (32,433)	\$ (141,000)	\$ (145,181)	\$ 112,748
Fund Balance, July 1, 2016	269,136	(30,929)	0	238,207	294,228	294,228	(56,021)
Fund Balance, June 30, 2017	<u>\$ 249,498</u>	<u>\$ 0</u>	<u>\$ (43,724)</u>	<u>\$ 205,774</u>	<u>\$ 153,228</u>	<u>\$ 149,047</u>	<u>\$ 56,727</u>

The notes to the financial statements are an integral part of this statement.

Exhibit C-7

Morgan County, Tennessee  
Statement of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Highway/Public Works Fund  
For the Year Ended June 30, 2017

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2016	Add: Encumbrances 6/30/2017	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 105,272	\$ 0	\$ 0	\$ 105,272	\$ 174,274	\$ 174,274	\$ (69,002)
Other Local Revenues	58,604	0	0	58,604	104,000	104,000	(45,396)
State of Tennessee	2,587,960	0	0	2,587,960	1,965,921	2,667,973	(80,013)
Total Revenues	\$ 2,751,836	\$ 0	\$ 0	\$ 2,751,836	\$ 2,244,195	\$ 2,946,247	\$ (194,411)
<u>Expenditures</u>							
<u>Highways</u>							
Administration	\$ 138,113	\$ 0	\$ 0	\$ 138,113	\$ 142,833	\$ 144,233	\$ 6,120
Highway and Bridge Maintenance	1,226,809	(29,262)	145,540	1,343,087	2,817,968	2,840,568	1,497,481
Operation and Maintenance of Equipment	329,760	(23,205)	9,986	316,541	444,694	450,680	134,139
Other Charges	77,418	0	0	77,418	80,600	80,600	3,182
Employee Benefits	32,970	0	0	32,970	29,600	33,620	650
Capital Outlay	903,984	(200)	0	903,784	476,500	1,178,552	274,768
Total Expenditures	\$ 2,709,054	\$ (52,667)	\$ 155,526	\$ 2,811,913	\$ 3,992,195	\$ 4,728,253	\$ 1,916,340
Excess (Deficiency) of Revenues Over Expenditures	\$ 42,782	\$ 52,667	\$ (155,526)	\$ (60,077)	\$ (1,748,000)	\$ (1,782,006)	\$ 1,721,929
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 1,986	\$ 0	\$ 0	\$ 1,986	\$ 0	\$ 1,986	\$ 0
Total Other Financing Sources	\$ 1,986	\$ 0	\$ 0	\$ 1,986	\$ 0	\$ 1,986	\$ 0
Net Change in Fund Balance	\$ 44,768	\$ 52,667	\$ (155,526)	\$ (58,091)	\$ (1,748,000)	\$ (1,780,020)	\$ 1,721,929
Fund Balance, July 1, 2016	3,126,373	(52,667)	0	3,073,706	3,126,374	3,126,374	(52,668)
Fund Balance, June 30, 2017	\$ 3,171,141	\$ 0	\$ (155,526)	\$ 3,015,615	\$ 1,378,374	\$ 1,346,354	\$ 1,669,261

The notes to the financial statements are an integral part of this statement.

Exhibit D

Morgan County, Tennessee  
Statement of Fiduciary Assets and Liabilities  
June 30, 2017

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 710,503
Due from Other Governments	56,108
Property Taxes Receivable	<u>51,748</u>
Total Assets	<u><u>\$ 818,359</u></u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 107,856
Due to Litigants, Heirs, and Others	<u>710,503</u>
Total Liabilities	<u><u>\$ 818,359</u></u>

The notes to the financial statements are an integral part of this statement.



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## MORGAN COUNTY, TENNESSEE

### Index of Notes to the Financial Statements

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**MORGAN COUNTY, TENNESSEE**  
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**MORGAN COUNTY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Morgan County's financial statements are presented in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments.

The following are the more significant accounting policies of Morgan County:

**A. Reporting Entity**

Morgan County is a public municipal corporation governed by an elected 18-member board. As required by GAAP, these financial statements present Morgan County (the primary government) and its component units. The financial statements of the Morgan County Emergency Communications District, a component unit requiring discrete presentation, were excluded from this report due to materiality calculations; therefore, the effect of its omission did not affect the independent auditor's opinion thereon. The component units discussed below are included in the county's reporting entity because of the significance of their operational or financial relationships with the county.

**Discretely Presented Component Units** – The following entities meet the criteria for discretely presented component units of the county. They are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the county.

The Morgan County School Department operates the public school system in the county, and the voters of Morgan County elect its board. The School Department is fiscally dependent on the county because it may not issue debt, and its budget and property tax levy are subject to the county commission's approval. The School Department's taxes are levied under the taxing authority of the county and are included as part of the county's total tax levy.

The Morgan County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Morgan County, and the Morgan County Commission appoints its governing body. The district is funded primarily through a service charge levied on telephone services. Before the issuance of most debt instruments, the district must obtain the county commission's approval. The financial statements of the Morgan County Emergency Communications District were not material to the component units' opinion unit and therefore have been omitted from this report.

The Morgan County School Department does not issue separate financial statements from those of the county. Therefore, basic financial statements of the School Department are included in this report as listed in the table of contents. Complete financial statements of the Morgan County Emergency Communications District can be obtained from its administrative office at the following address:

Administrative Office:

Morgan County Emergency  
Communications District  
P.O. Box 69  
Wartburg, TN 37887

**Related Organization** – The Morgan County Industrial Development Board is a related organization of Morgan County. The county executive nominates and the Morgan County Commission confirms the board members, but the county's accountability for the organization does not extend beyond making the appointments.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. However, where applicable, interfund services provided and used between functions are not eliminated in the process of consolidation in the Statement of Activities. Governmental activities are normally supported by taxes and intergovernmental revenues. Business-type activities, which rely to a significant extent on fees and charges, are required to be reported separately from governmental activities in government-wide financial statements. However, the primary government of Morgan County does not have any business-type activities to report. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The Morgan County School Department component unit only reports governmental activities in the government-wide financial statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Morgan County issues all debt for the discretely presented Morgan County School Department. There were no debt issues contributed by the county to the School Department during the year ended June 30, 2017.

Separate financial statements are provided for governmental funds and fiduciary funds. Fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary funds financial statements, except for agency funds, which have no measurement focus. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund financial statements of Morgan County are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflow of resources, liabilities, deferred inflow of resources, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary; however, Morgan County has no proprietary funds to report. An emphasis is placed on major funds within the governmental category.

Separate financial statements are provided for governmental funds and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All other governmental funds are aggregated into a single column on the fund financial statements. Fiduciary funds in total are reported in a single column.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the county considers revenues other than grants to be available if they are collected within 30 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and the revenues are available. Morgan County considers grants and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on long-term debt are

recognized as fund liabilities when due or when amounts have been accumulated in the General Debt Service Fund for payments to be made early in the following year.

Property taxes for the period levied, in-lieu-of tax payments, sales taxes, interest, and miscellaneous taxes are all considered to be susceptible to accrual and have been recognized as revenues of the current period. Applicable litigation taxes, state-shared excise taxes, fines, forfeitures, and penalties are not susceptible to accrual since they are not measurable (reasonably estimable). All other revenue items are considered to be measurable and available only when the county receives cash.

Fiduciary funds financial statements are reported using the economic resources measurement focus, except for agency funds, which have no measurement focus, and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Morgan County reports the following major governmental funds:

**General Fund** – This is the county’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Solid Waste/Sanitation Fund** – This special revenue fund accounts for transactions related to the county’s garbage collection service. Local taxes and general service charges are the foundational revenues of this fund.

**Highway/Public Works Fund** – This special revenue fund accounts for transactions of the county’s Highway Department. Local and state gasoline/fuel taxes are the foundational revenues of this fund.

**General Debt Service Fund** – This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Additionally, Morgan County reports the following fund types:

**Capital Projects Fund** – The General Capital Projects Fund is used to account for general construction projects of the county and for the receipt of debt issued by Morgan County and contributed to the School Department for various capital projects.

**Agency Funds** – These funds account for amounts collected in an agency capacity by the constitutional officers, local sales taxes received by the state to be forwarded to the various cities in Morgan County, and property taxes collected for the City of Sunbright. Agency funds are custodial in nature (assets equal liabilities) and do not involve

measurement of results of operations. They do, however, use the accrual basis of accounting to recognize receivables and payables.

The discretely presented Morgan County School Department reports the following major governmental funds:

**General Purpose School Fund** – This fund is the primary operating fund for the School Department. It is used to account for general operations of the School Department.

**School Federal Projects Fund** – This special revenue fund is used to account for restricted federal revenues, which must be expended on specific education programs.

**Central Cafeteria Fund** – This special revenue fund is used to account for the cafeteria operations in each of the schools. Service charges and federal grants are the foundational revenues of this fund.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

**1. Deposits and Investments**

State statutes authorize the government to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; deposit accounts at state and federal chartered banks and savings and loan associations; repurchase agreements; the State Treasurer's Investment Pool; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; and the county's own legally issued bonds or notes.

The county trustee maintains a cash and internal investment pool that is used by all funds and the discretely presented Morgan County School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net position as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General Fund and to the discretely presented School Department's General Purpose School Fund. Morgan County and the School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at

amortized cost. Certificates of deposit are reported at cost. Investments in the State Treasurer's Investment Pool are reported at amortized cost using a stable net asset value. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

## **2. Receivables and Payables**

Activity between funds for unremitted current collections outstanding at the end of the fiscal year is referred to as due to/from other funds.

All ambulance and property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectibles for the ambulance service receivables reflected in the General Fund consists of various amounts estimated based on the categories of the payee (Medicare, Medicaid, insurance companies, and individuals). The allowance for uncollectible property taxes is equal to 2.71 percent of total taxes levied.

Property taxes receivable are recognized as of the date an enforceable legal claim to the taxable property arises. This date is January 1 and is referred to as the lien date. However, revenues from property taxes are recognized in the period for which the taxes are levied, which is the ensuing fiscal year. Since the receivable is recognized before the period of revenue recognition, the entire amount of the receivable, less an estimated allowance for uncollectible taxes, is reported as deferred inflow of resources as of June 30.

Property taxes receivable are also reported as of June 30 for the taxes that are levied, collected, and reported as revenue during the current fiscal year. These property taxes receivable are presented on the balance sheet as a deferred inflow of resources to reflect amounts not available as of June 30. Property taxes collected within 30 days of year-end are considered available and accrued. The allowance for uncollectible taxes represents the estimated amount of the receivable that will be filed in court for collection. Delinquent taxes filed in court for collection are not included in taxes receivable since they are neither measurable nor available.

Property taxes are levied as of the first Monday in October. Taxes become delinquent and begin accumulating interest and penalty the following March 1. Suit must be filed in Chancery Court between the following February 1 to April 1 for any remaining unpaid taxes. Additional costs attach to delinquent taxes after a court suit has been filed.



**3. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as an expenditure when consumed rather than when purchased. Prepaids are offset in the nonspendable fund balance account in governmental funds.

**4. Capital Assets**

Governmental funds do not capitalize the cost of capital outlays; these funds report capital outlays as expenditures upon acquisition.

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an estimated useful life of more than two years and with an initial, individual cost based on the following table. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Type	Amount
Land and Construction in Progress	\$ 1
Vehicles	5,000
Machinery and Equipment	5,000
Furniture and Fixtures	5,000
Land Improvements	5,000
Intangibles	25,000
Buildings and Improvements	50,000
Infrastructure (Roads and Bridges)	250,000

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, equipment, and infrastructure of the primary government and the discretely presented School Department are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	3 - 40
Other Capital Assets	3 - 30
Infrastructure	15 - 40

## 5. **Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has items that qualify for reporting in this category. Accordingly, the items are reported in the government-wide statement of Net Position. These items are for pension changes in experience, pension contributions after the measurement date, pension other deferrals, and net pension changes in investment earnings.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has items that qualify for reporting in this category. Accordingly, the items are reported in the government-wide Statement of Net Position and the governmental funds balance sheet. These items are from the following sources: current and delinquent property taxes, pension changes in experience, pension other deferrals, and receivables for various revenues which do not meet the availability criteria for governmental funds.

## 6. **Compensated Absences**

### **Primary Government**

It is the primary government's policy to permit employees to accumulate a limited amount of earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since there is no policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide financial statements for the primary government. A liability for vacation pay is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

### **Discretely Presented Morgan County School Department**

It is the School Department's policy to permit support personnel to accumulate a limited amount of earned but unused vacation and sick pay benefits, which will be paid to those employees upon separation from service. A liability for vacation and sick pay is accrued when incurred in the government-wide financial statements for the School Department. A liability for vacation and sick pay is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements. There is no liability for unpaid accumulated sick leave of professional employees since there is no policy to pay any amounts when those employees separate from service. Vacation days earned for professional employees must be taken during the year.

#### **7. Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Debt premiums and discounts are deferred and amortized over the life of the new debt using the straight-line method. Debt issuance costs are expensed in the period incurred. In refunding transactions, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the refunded debt or the life of the new debt issued, whichever is shorter.

In the fund financial statements, governmental funds recognize debt premiums and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Only the matured portion (the portion that has come due for payment) of long-term indebtedness, including bonds payable, is recognized as a liability and expenditure in the governmental fund financial statements. Liabilities and expenditures for other long-term obligations, including compensated absences, landfill postclosure care costs, net pension liability, and other postemployment benefits, are recognized to the extent that the liabilities have matured (come due for payment) each period.

## 8. Net Position and Fund Balance

In the government-wide financial statements, equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that does not meet the definition of restricted or net investment in capital assets.

As of June 30, 2017, Morgan County had \$13,332,319 in outstanding debt for capital purposes for the discretely presented Morgan County School Department and \$2,094,000 in outstanding debt that benefits a joint venture industrial development board. This debt is a liability of Morgan County, but the capital assets acquired are reported in the financial statements of the other entities. As of June 30, 2017, Morgan County also had \$756,000 of non-capital debt, which was issued to terminate an interest rate swap agreement. Therefore, Morgan County has incurred a liability significantly decreasing its unrestricted net position with no corresponding increase in the county's capital assets.

It is the county's policy that restricted amounts would be reduced first followed by unrestricted amounts when expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available. Also, it is the county's policy that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of these unrestricted fund balance classifications could be used.

In the fund financial statements, governmental funds report fund balance in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in these funds can be spent. These classifications may consist of the following:

Nonspendable Fund Balance – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance – includes amounts that have constraints placed on the use of the resources that are either (a) externally imposed by creditors, grantors, contributors or laws and regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the county commission, the county's highest level of decision-making authority and the Board of Education, the School Department's highest level of decision-making authority, and shall remain binding unless removed in the same manner.

Assigned Fund Balance – includes amounts that are constrained by the county's intent to be used for specific purposes, but are neither restricted nor committed (excluding stabilization arrangements). The county commission makes assignments for the general government and the Board of Education makes assignments for the School Department. Assigned fund balance in the General Fund consists of amounts assigned for encumbrances (\$23,988). Assigned fund balance in the School Department's General Purpose School Fund consists of amounts assigned for encumbrances (\$557,646) and amounts appropriated for use in the 2017-18 budget (\$248,630).

Unassigned Fund Balance – the residual classification of the General and General Purpose School funds. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General and General Purpose School funds.

## **E. Pension Plans**

### **Primary Government**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of Morgan County's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from Morgan County's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

### **Discretely Presented Morgan County School Department**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teacher Retirement Plan and the Teacher Legacy Pension Plan in the Tennessee Consolidated Retirement System, and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the TCRS. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Teacher Retirement Plan and the Teacher Legacy Pension Plan. Investments are reported at fair value.

## **II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

### **A. Explanation of certain differences between the governmental fund balance sheet and the government-wide Statement of Net Position**

#### **Primary Government**

Exhibit C-2 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of the governmental funds with the government-wide Statement of Net Position.

#### **Discretely Presented Morgan County School Department**

Exhibit I-3 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of the governmental funds with the government-wide Statement of Net Position.

### **B. Explanation of certain differences between the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the government-wide Statement of Activities**

#### **Primary Government**

Exhibit C-4 includes explanations of the nature of individual elements of items required to reconcile the net change in fund balances – total governmental funds with the change in net position of governmental activities reported in the government-wide Statement of Activities.

#### **Discretely Presented Morgan County School Department**

Exhibit I-5 includes explanations of the nature of individual elements of items required to reconcile the net change in fund balances – total governmental funds with the change in net position of governmental activities reported in the government-wide Statements of Activities.

### III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

#### A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds except the Constitutional Officers - Fees Fund (a special revenue fund), which is not budgeted, and the General Capital Projects Fund, which adopts project length budgets. All annual appropriations lapse at fiscal year end.

The county is required by state statute to adopt annual budgets. Annual budgets are prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances may not legally exceed appropriations authorized by the county commission and any authorized revisions. Unencumbered appropriations lapse at the end of each fiscal year.

The budgetary level of control is at the major category level established by the County Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Fund major categories: County Commission, Board of Equalization, County Mayor/Executive, County Attorney, etc.). Management may make revisions within major categories, but only the county commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

The county's budgetary basis of accounting is consistent with GAAP, except instances in which encumbrances are treated as budgeted expenditures. The difference between the budgetary basis and GAAP basis is presented on the face of each budgetary schedule.

At June 30, 2017, the Morgan County School Department reported the following significant encumbrances:

<b>Funds</b>	<b>Description</b>	<b>Amount</b>
School Department		
Major Fund:		
General Purpose School	Gym seating	\$ 115,000
General Purpose School	Transportation equipment	262,844

#### B. Cash Shortage – Prior Year

##### Office of County Clerk

A special report dated February 10, 2011, for the period July 1, 2009, through December 22, 2010, reported a cash shortage of \$54,611.33 on December 14, 2010. The state Comptroller's Office conducted a special investigation with the

assistance of the Tennessee Bureau of Investigation resulting in the above-noted cash shortage. Subsequently, Carol Hamby, the county clerk during the period examined, liquidated the cash shortage. However, Ms. Hamby was also ordered by the Criminal Court of Morgan County to repay \$8,758 to Morgan County for a portion of the extended audit costs associated with the cash shortage. Ms. Hamby has paid \$1,826 toward this amount, leaving a balance owed of \$6,932 as of the date of this report.

#### **IV. DETAILED NOTES ON ALL FUNDS**

##### **A. Deposits and Investments**

Morgan County and the Morgan County School Department participate in an internal cash and investment pool through the Office of Trustee. The county trustee is the treasurer of the county and in this capacity is responsible for receiving, disbursing, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net position as Equity in Pooled Cash and Investments. Cash reflected on the balance sheets or statements of net position represents nonpooled amounts held separately by individual funds.

##### **Deposits**

**Legal Provisions.** All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public fund accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must equal at least 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

For deposits with financial institutions that do not participate in the bank collateral pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the county.

##### **Investments**

**Legal Provisions.** Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; deposits at state and



federal chartered banks and savings and loan associations; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; and the county's own legally issued bonds or notes. These investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in the State Treasurer's Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state Comptroller's Office and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government or obligations guaranteed by the U.S. government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the fair value of the securities on the day of purchase. The county had no pooled and nonpooled investments as of June 30, 2017.

**B. Derivative Instrument**

Morgan County elected to terminate the following derivative instrument during the year:

Instrument	Type	Objective	Original Notional Amount	Effective Date	Maturity Date	Terms
\$10M Swap	Pay fixed interest rate swap	Variable to synthetic fixed rate swap	\$ 10,000,000	6-7-13	6-1-26	Pay 4.33% receive 70.0% of LIBOR

The changes in fair value of such derivative instrument and swap termination payment for the year are as follows:

Governmental Activities		Swap	
Type	Cumulative Change in Fair Value (1) Classification	Amount	Termination Payment
Cash Flow Hedge:			
Pay-fixed interest rate swaps			
\$10M Swap	Interest and Investment Earnings	\$ (1,310,000)	\$ 1,310,000
Totals		<u>\$ (1,310,000)</u>	<u>\$ 1,310,000</u>

- (1) Changes in prior years totaled (\$1,892,852) and were deferred. The change in the current year was \$582,852, resulting in a cumulative change of (\$1,310,000) at the date of termination.

As of June 30, 2017, Morgan County has no outstanding interest rate swap agreements.

**C. Capital Assets**

Capital assets activity for the year ended June 30, 2017, was as follows:

**Primary Government**

**Governmental Activities:**

	Balance 7-1-16	Increases	Decreases	Balance 6-30-17
Capital Assets Not Depreciated:				
Land	\$ 627,952	\$ 0	\$ 0	\$ 627,952
Total Capital Assets Not Depreciated	\$ 627,952	\$ 0	\$ 0	\$ 627,952
Capital Assets Depreciated:				
Buildings and Improvements	\$ 6,391,018	\$ 0	\$ 0	\$ 6,391,018
Infrastructure	1,435,826	0	0	1,435,826
Other Capital Assets	5,439,067	554,372	(63,517)	5,929,922
Total Capital Assets Depreciated	\$ 13,265,911	\$ 554,372	\$ (63,517)	\$ 13,756,766
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 1,908,640	\$ 196,306	\$ 0	\$ 2,104,946
Infrastructure	442,253	45,968	0	488,221
Other Capital Assets	4,661,534	355,293	(63,517)	4,953,310
Total Accumulated Depreciation	\$ 7,012,427	\$ 597,567	\$ (63,517)	\$ 7,546,477
Total Capital Assets Depreciated, Net	\$ 6,253,484	\$ (43,195)	\$ 0	\$ 6,210,289
Governmental Activities Capital Assets, Net	\$ 6,881,436	\$ (43,195)	\$ 0	\$ 6,838,241

Depreciation expense was charged to functions of the primary government as follows:

**Governmental Activities:**

General Government	\$ 121,717
Administration of Justice	40,685
Public Safety	144,299
Public Health and Welfare	125,956
Highway/Public Works	<u>164,910</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 597,567</u></u>

**Discretely Presented Morgan County School Department****Governmental Activities:**

	Balance 7-1-16	Increases	Balance 6-30-17
Capital Assets Not Depreciated:			
Land	\$ 1,112,193	\$ 0	\$ 1,112,193
Total Capital Assets Not Depreciated	<u>\$ 1,112,193</u>	<u>\$ 0</u>	<u>\$ 1,112,193</u>
Capital Assets Depreciated:			
Buildings and Improvements	\$ 48,532,539	\$ 0	\$ 48,532,539
Other Capital Assets	13,392,165	280,503	13,672,668
Total Capital Assets Depreciated	<u>\$ 61,924,704</u>	<u>\$ 280,503</u>	<u>\$ 62,205,207</u>
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 30,814,971	\$ 1,131,528	\$ 31,946,499
Other Capital Assets	10,580,623	987,942	11,568,565
Total Accumulated Depreciation	<u>\$ 41,395,594</u>	<u>\$ 2,119,470</u>	<u>\$ 43,515,064</u>
Total Capital Assets Depreciated, Net	<u>\$ 20,529,110</u>	<u>\$ (1,838,967)</u>	<u>\$ 18,690,143</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 21,641,303</u></u>	<u><u>\$ (1,838,967)</u></u>	<u><u>\$ 19,802,336</u></u>

There were no decreases in capital assets to report for the year.

Depreciation expense was charged to functions of the discretely presented Morgan County School Department as follows:

**Governmental Activities:**

Instruction	\$ 16,314
Support Services	1,980,347
Operation of Non-instructional Services	<u>122,809</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 2,119,470</u>

**D. Interfund Receivables, Payables, and Transfers**

The composition of interfund balances as of June 30, 2017, was as follows:

**Due to/from Other Funds**

Receivable Fund	Payable Fund	Amount
Primary Government:		
General	Solid Waste/Sanitation	\$ 4,029
General	Nonmajor governmental	1,150
Discretely Presented School Department:		
School Federal Projects	General Purpose School	37,920
Central Cafeteria Fund	School Federal Projects	9,520

These balances resulted from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur and payments between funds are made.

**Due to/from Primary Government and Component Units:**

On the government-wide Statement of Net Position, Due from Component Units of \$72,313 is reflected in the governmental activities of the primary government. This amount represents capital lease obligations, which are being retired by the School Department. This amount is expected to be received within one year.

**Interfund Transfers:**

Interfund transfers for the year ended June 30, 2017, consisted of the following amounts:

## Primary Government

<u>Transfer Out</u>		<u>Transfer In</u> <u>General</u> <u>Fund</u>
Nonmajor Governmental Funds	\$	23,886

## Discretely Presented Morgan County School Department

<u>Transfer Out</u>		<u>Transfer In</u> <u>School Federal</u> <u>Projects</u> <u>Fund</u>
General Purpose School Fund	\$	25,000

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

### **E. Capital Leases**

On July 22, 2016, Morgan County entered into a three-year lease-purchase agreement for an ambulance. The terms of the agreement require total lease payments of \$127,224 plus interest of 3.28 percent. Title to the ambulance transfers to Morgan County at the end of the lease period. The lease payments are made from the General Fund.

On March 31, 2015, Morgan County entered into a four-year lease-purchase agreement for eight police vehicles. The terms of the agreement require total lease payments of \$261,273 plus interest of 5.5 percent. Title to the police vehicles transfers to Morgan County at the end of the lease period. The lease payments are made from the General Fund.

On March 1, 2013, Morgan County entered into a five-year lease-purchase agreement for a garbage truck. The terms of the agreement require total lease payments of \$193,342 plus interest of 2.92 percent. Title to the garbage truck transfers to Morgan County at the end of the lease period. The lease payments are made from the Solid Waste/Sanitation Fund.

On April 7, 2008, Morgan County entered into a ten-year lease-purchase agreement for the School Department for football field lighting improvements for various school facilities. The terms of the agreement require total lease payments of \$601,414 plus interest of 2.63 percent. Title to the equipment transfers to the School Department immediately upon acceptance of each item.

The assets acquired through capital leases outstanding as of June 30, 2017, are as follows:

Asset	Governmental Activities	
	Primary Government	School Department
Other Capital Assets	\$ 616,414	\$ 684,414
Less: Accumulated Depreciation	(375,502)	(610,270)
Total Book Value	\$ 240,912	\$ 74,144

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2017, were as follows:

Year Ending June 30	Governmental Funds
2018	\$ 234,293
2019	80,342
Total Minimum Lease Payments	\$ 314,635
Less: Amount Representing Interest	(14,734)
Present Value of Minimum Lease Payments	\$ 299,901

## **F. Long-term Obligations**

### **Primary Government**

#### **General Obligation Bonds, Notes, and Other Loans**

Morgan County issues general obligation bonds and other loans to provide funds for the acquisition and construction of major capital facilities for the primary government and the discretely presented School Department. Capital outlay notes are also issued to fund capital facilities and other capital outlay purchases, such as equipment.

General obligation bonds, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds, capital outlay notes, and other loans outstanding were issued for original terms of up to 15 years for bonds, seven years for notes, and up to 20 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds, notes, and other loans included in long-term debt as of June 30, 2017, will be retired from the General Debt Service Fund.

General obligation bonds, capital outlay notes, other loans, and capital leases outstanding as of June 30, 2017, for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-17
General Obligation Bonds	1.375 to 3 %	6-1-32	\$ 17,960,000	\$ 15,440,000
Capital Outlay Notes	4.25	12-1-17	180,000	14,606
Other Loans - Fixed Rate	4.25 to 5	6-1-27	750,000	750,000
Other Loans - Variable Rate	Variable	5-25-29	2,000,000	1,467,000
Capital Leases	2.63 to 5.5	1-15-19	1,183,253	299,901

Morgan County has entered into loan agreements with the Blount County Public Building Authority and the City of Clarksville Public Building Authority (PBAs) to finance capital projects for Morgan County and the discretely presented Morgan County School Department. Under the loan agreements, the PBAs issued bonds and made the proceeds available for loan to Morgan County. In addition to repaying the loans, the county pays various other fees (trustee, debt remarketing, etc.) in connection with the variable rate loan. The following table summarizes loan agreements outstanding at June 30, 2017:

Description	Original Amount of Loan Agreement	Outstanding Principal 6-30-17	Interest Type	Interest Rates as of 6-30-17	Approximate Fee Rates as of 6-30-17
Blount County PBA:					
Series B-20-A	\$ 750,000	\$ 750,000	Fixed	4.25 to 5 %	N/A
City of Clarksville PBA:					
Series 2009	2,000,000	<u>1,467,000</u>	Variable	0.97	0.62 %
Total		<u>\$ 2,217,000</u>			

The annual requirements to amortize all general obligation bonds, notes, and other loans outstanding as of June 30, 2017, including interest payments and other loan fees, are presented in the following tables:

Year Ending June 30	Bonds		
	Principal	Interest	Total
2018	\$ 1,145,000	\$ 386,740	\$ 1,531,740
2019	1,150,000	366,847	1,516,847
2020	1,190,000	339,788	1,529,788
2021	1,225,000	308,190	1,533,190
2022	1,255,000	275,020	1,530,020
2023-2027	5,645,000	896,970	6,541,970
2028-2032	3,830,000	303,680	4,133,680
Total	\$ 15,440,000	\$ 2,877,235	\$ 18,317,235

Year Ending June 30	Notes		
	Principal	Interest	Total
2018	\$ 14,606	\$ 311	\$ 14,917
Total	\$ 14,606	\$ 311	\$ 14,917

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2018	\$ 92,000	\$ 41,218	\$ 9,101	\$ 142,319
2019	97,000	47,359	7,979	152,338
2020	101,000	46,418	7,378	154,796
2021	107,000	45,438	6,752	159,190
2022	112,000	44,400	6,088	162,488
2023-2027	1,400,000	174,570	19,301	1,593,871
2028-2029	308,000	2,813	1,798	312,611
Total	\$ 2,217,000	\$ 402,216	\$ 58,397	\$ 2,677,613

There is \$2,322,203 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$702, based on the 2010 federal census. Total debt per capita including bonds, notes, other loans, capital leases, and unamortized debt premiums, totaled \$825, based on the 2010 federal census.

The School Department is currently servicing some of the debt issued on its behalf by the primary government as noted in the table below. This debt is reflected in the government-wide financial statements as Due to the Primary Government in the financial statements of the School Department and as Due from Component Units in the financial statements of the primary government.



Description of Indebtedness	Outstanding 6-30-17
-----------------------------	------------------------

Capital Lease

Payable through General Purpose School Fund

Football Field Lighting \$ 72,313

During the year, the School Department contributed \$75,986 to the primary government's General Debt Service Fund to service principal and interest on this lease. Also, during the year, the School Department contributed \$517,069 to the primary government's General Debt Service Fund to be applied toward the retirement of other school related debt.

Changes in Long-term Obligations

Long-term obligations activity for the year ended June 30, 2017, was as follows:

Governmental Activities:

	Bonds	Notes	Other Loans
Balance, July 1, 2016	\$ 4,255,000	\$ 42,913	\$ 13,205,000
Additions	11,560,000	0	0
Reductions	(375,000)	(28,307)	(10,988,000)
Balance, June 30, 2017	<u>\$ 15,440,000</u>	<u>\$ 14,606</u>	<u>\$ 2,217,000</u>
Balance Due Within One Year	<u>\$ 1,145,000</u>	<u>\$ 14,606</u>	<u>\$ 92,000</u>

	Capital Leases	Compensated Absences	Landfill Postclosure Care Costs
Balance, July 1, 2016	\$ 425,331	\$ 205,738	\$ 171,957
Additions	127,224	124,971	0
Reductions	(252,654)	(113,136)	(17,119)
Balance, June 30, 2017	<u>\$ 299,901</u>	<u>\$ 217,573</u>	<u>\$ 154,838</u>
Balance Due Within One Year	<u>\$ 221,936</u>	<u>\$ 130,544</u>	<u>\$ 19,106</u>

Governmental Activities:	Net Pension Liability (Asset) Agent Plan *
Balance, July 1, 2016	\$ (101,964)
Additions	799,012
Reductions	<u>(623,217)</u>
Balance, June 30, 2017	<u>\$ 73,831</u>
Balance Due Within One Year	<u>\$ 0</u>

\* The Agent Plan had a net asset balance on July 1, 2016.

#### Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2017	\$ 18,417,749
Add: Unamortized Premium on Debt	178,277
Less: Balance Due Within One Year	<u>(1,623,192)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 16,972,834</u>

Compensated absences and net pension liability will be paid from the employing funds, primarily the General, Solid Waste/Sanitation, and Highway/Public Works funds. Landfill postclosure care costs will be paid from the Solid Waste/Sanitation Fund.

#### Current Refunding

During the year, Morgan County refunded two public building authority (PBA) loans. The county issued a total of \$11,560,000 of Series 2017 A and B fixed rate general obligation bonds and received a premium on the issues of \$133,648. Proceeds of the bonds, along with the premium received and \$570,284 from the General Debt Service Fund balance, were used to redeem the following debt issues and to provide funds to terminate an interest rate swap agreement associated with the Series VII-A-3 loan agreement.

Issue	Principal Amount Refunded
Blount County PBA, Series B-13-A, fixed rate loan agreement	\$ 1,325,000
Sevier County PBA, Series VII-A-3, variable rate loan agreement (1)	<u>9,425,000</u>
Total	<u>\$ 10,750,000</u>

- (1) The county paid \$1,310,000 to terminate an interest rate swap agreement associated with this issue. See Note IV.B. for discussion of that agreement.

As a result of the refunding, the final maturity of the debt was extended by six years. Total debt service payments over the next 15 years were estimated to be increased by approximately \$624,742, and an economic gain (difference between the present value of the debt service payments of the refunded and refunding debt) of approximately \$193,970 was estimated to be obtained. Actual savings or loss will vary from those estimates depending on the performance of the variable rate indices related to the refunded Series VII-A-3 loan agreement.

### **Discretely Presented Morgan County School Department**

#### **Changes in Long-term Obligations**

Long-term obligations activity for the discretely presented Morgan County School Department for the year ended June 30, 2017, was as follows:

#### Governmental Activities:

	Other		
	Postemployment Benefits	Termination Benefits	Compensated Absences
Balance July 1, 2016	\$ 544,278	\$ 78,000	\$ 91,558
Additions	217,918	8,000	136,556
Reductions	(226,006)	(38,000)	(35,754)
Balance June 30, 2017	\$ 536,190	\$ 48,000	\$ 192,360
Balance Due Within One Year	\$ 0	\$ 26,000	\$ 76,944

	Net Pension	
	<u>Liability (Asset)</u>	<u>Liability (Asset)</u>
	Teacher Legacy Plan	Agent Plan *
Balance July 1, 2016	\$ 126,785	\$ (85,643)
Additions	4,041,756	679,186
Reductions	(2,165,238)	(530,675)
Balance June 30, 2017	\$ 2,003,303	\$ 62,868
Balance Due Within One Year	\$ 0	\$ 0

\* The Agent Plan had a net asset balance on July 1, 2016.

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2017	\$ 2,842,721
Less: Balance Due Within One Year	<u>(102,944)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 2,739,777</u>

These long-term obligations will be paid from the employing funds, primarily the General Purpose School and School Federal Projects funds.

**G. On-Behalf Payments – Discretely Presented Morgan County School Department**

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Morgan County School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2017, were \$44,340 and \$16,388, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

**V. OTHER INFORMATION**

**A. Risk Management**

**Primary Government**

Morgan County carries commercial insurance for risks of loss, including general liability, property, casualty, workers' compensation, and employee health. Retirees are not allowed to participate in the health plan. Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

**Discretely Presented Morgan County School Department**

The discretely presented Morgan County School Department participates in the Local Education Group Insurance Fund (LEGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local education agencies. In accordance with Section 8-27-301, *Tennessee Code Annotated (TCA)*, all local education agencies are eligible to participate. The LEGIF is included in the Comprehensive Annual Financial Report of the State of Tennessee, but the state does not retain any risk for losses by this fund. Section 8-27-303, *TCA*, provides for the LEGIF to be self-sustaining through member premiums.

The School Department also participates in the Tennessee Risk Management Trust (TN-RMT), which is a public entity risk pool created under the auspices of the Tennessee Governmental Tort Liability Act to provide governmental insurance coverage. The School Department pays an annual premium to the TN-RMT for its general liability, property, casualty, and workers' compensation insurance coverage. The creation of the TN-RMT provides for it to be self-sustaining through member premiums.

**B. Accounting Changes**

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*; Statement No. 77, *Tax Abatement Disclosures*; Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*; Statement No. 80, *Blending Requirements for Certain Component Units*; and Statement No. 82, *Pension Issues an amendment of GASB Statements No. 67, No. 68, and No. 73*, became effective for the year ended June 30, 2017.

GASB Statement No. 74, establishes accounting and reporting requirements for postemployment benefits other than pensions (other postemployment benefits or OPEB), which are included in the general purpose external financial reports of state and local governmental OPEB plans. This statement replaces GASB Statements No. 43 and No. 57. It also includes requirements for defined contribution OPEB plans that replace the requirements in Statements No. 25, No. 43, and No. 50. The scope of this statement includes OPEB plans, both defined benefit and defined contribution, administered through trusts meeting the necessary criteria as well as reporting assets accumulated through OPEB plans that are not administered through trusts that meet the specified criteria.

GASB Statement No. 77, establishes reporting requirements for tax abatements. This standard requires the disclosure of information about the nature and magnitude of tax abatement agreements entered into by state and local governments that reduce the government's tax revenues.

GASB Statement No. 78, amends Statement No. 68 to exclude certain pensions provided to employees of state or local governments through a cost-sharing multiple-employer pension plans that are not state or local plans and meet specific other criteria. This statement establishes recognition, measurement, and reporting criteria for these plans.

GASB Statement No. 80, amends the blending requirements of paragraph 53 of Statement No. 14. This standard adds additional blending criterion, which requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member.

GASB Statement No. 82 amends Statements No. 67, No. 68, and No. 73. This standard establishes covered payroll as the payroll on which contributions to a pension plan are based in the Required Supplementary Information. In addition, this standard clarifies that employer paid member contributions should be considered plan member contributions for purposes of applying Statement No. 67, and employee contributions for the purposes of applying Statement No. 68. This standard further states that an employer's expense and expenditures for employer paid member contributions should be recognized in the period for which the contribution is assessed and classified in the same manner that the employer classifies similar compensation other than pensions (for example, as salaries and wages or as fringe benefits).

**C. Contingent Liabilities**

There are several pending lawsuits in which the county and the discretely presented School Department are involved. Management, based on information from attorneys for the county and the School Department, estimates that the potential claims not covered by insurance resulting from such litigation would not materially affect the financial statements of the county and the School Department.

**D. Landfill Closure/Postclosure Care Costs**

Morgan County has active permits on file with the state Department of Environment and Conservation for one sanitary landfill and a demolition landfill. The county has provided financial assurances for estimated closure and postclosure liabilities as required by the State of Tennessee. These financial assurances are on file with the Department of Environment and Conservation.

State and federal laws and regulations require Morgan County to place a final cover on its sanitary landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the county reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. Morgan County closed its sanitary landfill in 1995. The \$154,838 reported as postclosure care liability at June 30, 2017, represents amounts based on what it would cost to perform all postclosure care in 2017. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

**E. Joint Ventures**

The Ninth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Ninth Judicial District, Meigs, Morgan, Loudon, and Roane counties, and various cities within this district. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily

from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a board of directors including the district attorney general, sheriffs, and police chiefs of participating law enforcement agencies within each judicial district. Morgan County made no contributions to the DTF for the year ended June 30, 2017, and does not have any equity interest in this joint venture. Complete financial statements for the DTF can be obtained from its administrative office at the following address:

Administrative Office:

Office of District Attorney General  
Ninth Judicial District  
P.O. Box 703  
Kingston, TN 37763

Morgan County entered into an agreement with the counties of Cumberland and Roane to establish an Industrial Development Board to purchase land for the development of a joint industrial park. Cumberland, Morgan, and Roane counties jointly own the park. The agreement established a nine-member board with each county appointing three members and having responsibility for one-third of the entity's funding. Morgan County made no contributions to the board for the year ended June 30, 2017. Complete financial statements for the Industrial Development Board can be obtained from its administrative office at the following address:

Administrative Office:

The Industrial Development Board of the Counties of  
Cumberland, Morgan, and Roane, Tennessee  
34 South Main Street  
Crossville, TN 38555

**F. Retirement Commitments**

**1. Tennessee Consolidated Retirement System (TCRS)**

**Primary Government**

**General Information About the Pension Plan**

*Plan Description.* Employees of Morgan County and non-certified employees of the discretely presented Morgan County School Department are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The primary government employees comprised 54.01 percent, the non-certified employees of the discretely presented School Department comprised 45.99 percent of the plan

based on contribution data. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs).

*Benefits Provided.* TCA, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with five years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available to vested members at age 55. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits is available under various eligibility criteria.

Member and beneficiary annuitants are entitled to an automatic cost of living adjustment (COLA) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions plus any accumulated interest.

*Employees Covered by Benefit Terms.* At the measurement date of June 30, 2016, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently	
Receiving Benefits	178
Inactive Employees Entitled to But Not Yet Receiving	
Benefits	503
Active Employees	338
Total	<u><u>1,019</u></u>



*Contributions.* Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute five percent of salary. Morgan County makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2017, the employer contribution for Morgan County was \$669,343 based on a rate of 7.76 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Morgan County's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contributions (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

### **Net Pension Liability (Asset)**

Morgan County's net pension liability (asset) was measured as of June 30, 2016, and the total pension liability (asset) used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

*Actuarial Assumptions.* The total pension liability as of the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary Increases	Graded Salary Ranges from 8.97% to 3.71% Based on Age, Including Inflation, Averaging 4.25%
Investment Rate of Return	7.5%, Net of Pension Plan Investment Expenses, Including Inflation
Cost of Living Adjustment	2.50%

Mortality rates were based on actual experience from the June 30, 2012, actuarial experience study, adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2016, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008, through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012, actuarial experience study by considering the following three

techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rate of return by the target asset allocation percentage and by adding inflation of three percent. The target allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Percentage Long-term Expected Real Rate of Return		Percentage Target Allocations	
U.S. Equity	6.46	%	33	%
Developed Market				
International Equity	6.26		17	
Emerging Market				
International Equity	6.40		5	
Private Equity and				
Strategic Lending	4.61		8	
U.S. Fixed Income	0.98		29	
Real Estate	4.73		7	
Short-term Securities	0.00		1	
Total			100	%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

*Discount Rate.* The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current rate and that contributions from Morgan County will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of

current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

### Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance, July 1, 2015	\$ 17,686,470	\$ 17,874,077	\$ (187,607)
Changes for the Year:			
Service Cost	\$ 673,862	\$ 0	\$ 673,862
Interest	1,343,645	0	1,343,645
Differences Between Expected and Actual Experience	(184,982)	0	(184,982)
Contributions-Employer	0	642,161	(642,161)
Contributions-Employees	0	413,779	(413,779)
Net Investment Income	0	475,267	(475,267)
Benefit Payments, Including Refunds of Employee Contributions	(890,122)	(890,122)	0
Administrative Expense	0	(24,544)	24,544
Other Changes	0	1,556	(1,556)
Net Changes	\$ 942,403	\$ 618,097	\$ 324,306
Balance, June 30, 2016	\$ 18,628,873	\$ 18,492,174	\$ 136,699

### Allocation of Agent Plan Changes in the Net Pension Liability (Asset)

		Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Primary Government	54.01%	\$ 10,061,454	\$ 9,987,623	\$ 73,831
School Department	45.99%	8,567,419	8,504,551	62,868
Total		\$ 18,628,873	\$ 18,492,174	\$ 136,699

*Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate.* The following presents the net pension liability (asset) of Morgan County calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it was

calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
<u>Morgan County</u>	<u>6.5%</u>	<u>7.5%</u>	<u>8.5%</u>
Net Pension Liability	\$ 2,555,935	\$ 136,699	\$ (1,866,496)

**Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions**

*Pension Expense.* For the year ended June 30, 2017, Morgan County recognized pension expense of \$226,123.

*Deferred Outflows of Resources and Deferred Inflows of Resources.* For the year ended June 30, 2017, Morgan County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 0	\$ 332,751
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	625,032	0
Contributions Subsequent to the Measurement Date of June 30, 2016 (1)	<u>669,343</u>	<u>N/A</u>
Total	<u>\$ 1,294,375</u>	<u>\$ 332,751</u>

(1) The amount shown above for “Contributions Subsequent to the Measurement Date of June 30, 2016,” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

Allocation of Agent Plan Deferred Outflows of Resources and  
Deferred Inflows of Resources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Primary Government	\$ 689,894	\$ 179,719
School Department	604,481	153,032
Total	<u>\$ 1,294,375</u>	<u>\$ 332,751</u>

Amounts reported as deferred outflows of resources, with the exception of contributions subsequent to the measurement date, and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2018	\$ (54,681)
2019	(54,681)
2020	264,516
2021	137,133
2022	0
Thereafter	0

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

**Discretely Presented Morgan County School Department**

**Non-certified Employees**

**General Information About the Pension Plan**

*Plan Description.* As noted above under the primary government, employees of Morgan County and non-certified employees of the discretely presented Morgan County School Department are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The primary government employees comprise 54.01 percent and the non-certified employees of the discretely presented School Department comprise 45.99 percent of the plan based on contribution data.

## **Certified Employees**

### **Teacher Retirement Plan**

#### **General Information About the Pension Plan**

*Plan Description.* Teachers of the Morgan County School Department with membership in the TCRS before July 1, 2014, are provided with pensions through the Teacher Legacy Pension Plan, a cost-sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan is closed to new membership. Teachers with membership in the TCRS after June 30, 2014, are provided with pensions through a legally separate plan referred to as the Teacher Retirement Plan, a cost-sharing multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs).

*Benefits Provided.* TCA, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. Members are eligible to retire with an unreduced benefit at age 65 with five years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available to vested members at age 60 or pursuant to the rule of 80. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits is available under various eligibility criteria. Member and beneficiary annuitants are entitled to an automatic cost of living adjustment (COLA) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. Members who leave employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan, benefit terms and conditions, including COLA, can be

adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

*Contributions.* Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly or by automatic cost controls set out in law. Teachers are required to contribute five percent of their salary to the plan. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing TCRS, the employer contribution rate cannot be less than four percent, except in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions for the year ended June 30, 2017, to the Teacher Retirement Plan were \$39,802, which is four percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

#### **Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

*Pension Liabilities (Assets).* At June 30, 2017, the Morgan County School Department reported an asset of \$16,708 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2016, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The Morgan County School Department's proportion of the net pension asset was based on the Morgan County School Department's share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2016, the Morgan County School Department's proportion was .160499 percent. The revised proportion measured at June 30, 2015, was .207293 percent.

*Pension Expense.* For the year ended June 30, 2017, the Morgan County School Department recognized pension expense of \$14,098.

*Deferred Outflows of Resources and Deferred Inflows of Resources.* For the year ended June 30, 2017, the Morgan County School Department reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 1,619	\$ 1,926
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	2,736	0
Changes in Proportion of Net Pension Liability (Asset)	1,313	0
LEA's Contributions Subsequent to the Measurement Date of June 30, 2016	39,802	0
Total	<u>\$ 45,470</u>	<u>\$ 1,926</u>

The Morgan County School Department's employer contributions of \$39,802, reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase of net pension asset in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2018	\$ 786
2019	786
2020	786
2021	655
2022	69
Thereafter	659

*Actuarial Assumptions.* The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:



Inflation	3%
Salary Increases	Graded Salary Ranges from 8.97% to 3.71% Based on Age, Including Inflation, Averaging 4.25%
Investment Rate of Return	7.5%, Net of Pension Plan Investment Expenses, Including Inflation
Cost of Living Adjustment	2.5%

Mortality rates are customized based on the June 30, 2012, actuarial experience study and some included adjustment for expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2016, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008, through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012, actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rate of return by the target asset allocation percentage and by adding inflation of three percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Percentage Long-term Expected Real Rate of Return	Percentage Target Allocations
U.S. Equity Developed Market	6.46 %	33 %
International Equity Emerging Market	6.26	17
International Equity Private Equity and Strategic Lending	6.40	5
U.S. Fixed Income	4.61	8
Real Estate	0.98	29
Short-term Securities	4.73	7
	0.00	1
Total		100 %

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

*Discount Rate.* The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current rate and that contributions from all the LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Proportionate Share of Net Pension Liability (Asset) to Changes in the Discount Rate.* The following presents the Morgan County School Department's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5 percent, as well as what the Morgan County School Department's proportionate share of the net pension liability (asset) would be if it was calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate:

School Department's Proportionate Share of the Net Pension Liability (Asset)	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
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Net Pension Liability	\$	7,890	\$	(16,708)	\$	(34,833)
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*Pension Plan Fiduciary Net Position.* Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report.

### **Teacher Legacy Pension Plan**

#### **General Information About the Pension Plan**

*Plan Description.* Teachers of the Morgan County School Department with membership in the TCRS before July 1, 2014, are provided with pensions through the Teacher Legacy Pension Plan, a cost-sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by LEAs after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple-employer defined benefit plan. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs).

*Benefits Provided.* TCA, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Legacy Pension Plan are eligible to retire with an unreduced benefit at age 60 with five years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available to vested members at age 55. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits is available under various eligibility criteria. Member

and beneficiary annuitants are entitled to an automatic cost of living adjustment (COLA) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Legacy Pension Plan, benefit terms and conditions, including COLAs can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

*Contributions.* Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers are required to contribute five percent of their salaries. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by the Morgan County School Department for the year ended June 30, 2017, to the Teacher Legacy Pension Plan were \$1,038,253, which is 9.04 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

### **Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

*Pension Liability (Assets).* At June 30, 2017, the Morgan County School Department reported a liability of \$2,003,303 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The Morgan County School Department's proportion of the net pension liability (asset) was based on the Morgan County School Department's long-term share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2016, the Morgan County School Department's proportion was .320557 percent. The proportion measured at June 30, 2015, was .309507 percent.

*Pension Expense.* For the year ended June 30, 2017, the Morgan County School Department recognized pension expense of \$249,974.

*Deferred Outflows of Resources and Deferred Inflows of Resources.* For the year ended June 30, 2017, the Morgan County School Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 84,306	\$ 2,425,336
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	2,236,714	0
Changes in Proportion of Net Pension Liability (Asset)	172,648	100,343
LEA's Contributions Subsequent to the Measurement Date of June 30, 2016	<u>1,038,253</u>	<u>N/A</u>
Total	<u>\$ 3,531,921</u>	<u>\$ 2,525,679</u>

The Morgan County School Department's employer contributions of \$1,038,253 reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as a decrease in net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2018	\$ (360,965)
2019	(360,965)
2020	711,986
2021	119,219
2022	(141,286)
Thereafter	0

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

*Actuarial Assumptions.* The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary Increases	Graded Salary Ranges from 8.97% to 3.71% Based on Age, Including Inflation, Averaging 4.25%
Investment Rate of Return	7.5%, Net of Pension Plan Investment Expenses, Including Inflation
Cost of Living Adjustment	2.5%

Mortality rates are customized based on the June 30, 2012, actuarial experience study and some included adjustments for expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2015, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008, through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012, actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rate of return by the target asset allocation percentage and by adding inflation of three percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Percentage Long-term Expected Real Rate of Return	Percentage Target Allocations
U.S. Equity Developed Market	6.46 %	33 %
International Equity Emerging Market	6.26	17
International Equity Private Equity and Strategic Lending	6.40	5
U.S. Fixed Income	4.61	8
Real Estate	0.98	29
Short-term Securities	4.73	7
	0.00	1
Total		100 %

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

*Discount Rate.* The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current rate and that contributions from all the LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Proportionate Share of Net Pension Liability (Asset) to Changes in the Discount Rate.* The following presents the Morgan County School Department's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5 percent, as well as what the Morgan County School Department's proportionate share of the net pension liability (asset) would be if it was calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate:

School Department's Proportionate Share of the Net Pension Liability (Asset)	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
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Net Pension Liability	\$ 11,000,479	\$ 2,003,303	\$ (5,449,552)
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*Pension Plan Fiduciary Net Position.* Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report.

## 2. **Deferred Compensation**

Teachers hired after July 1, 2014, by the discretely presented Morgan County School Department are required to participate in a hybrid pension plan administered by the Tennessee Consolidated Retirement System. This hybrid pension plan requires that these teachers contribute five percent of their salaries into a deferred compensation plan managed by the hybrid plan pursuant to IRC Section 401(k). As part of their employment package, the Morgan County School Department has assumed all costs of funding this program on-behalf of the plan participants. The Section 401(k) plan assets remain the property of the participating teachers and are not presented in the accompanying financial statements. IRC Section 401(k), establishes participation, contribution, and withdrawal provisions for the plans. During the year, the Morgan County School Department contributed \$42,462 to the 401(k) portion of the hybrid pension plan on-behalf of the plan participants.

## G. **Other Postemployment Benefits (OPEB)**

### **Plan Description**

The Morgan County School Department participates in the state-administered Local Education Group Insurance Plan for healthcare benefits. For accounting purposes, the plan is an agent multiple-employer defined benefit OPEB plan. Benefits are established and amended by an insurance committee created by Section 8-27-302, *Tennessee Code Annotated*, for teachers. Prior to reaching the age of 65, all members have the option of choosing between the standard or partnership preferred provider organization (PPO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in a state-administered Medicare Supplement Plan that does not include pharmacy. The plans are reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at <https://www.tn.gov/finance/fa/fa-accounting-financial/fa-accfin-cafr.html>.



### Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plan is self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop their own contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state provides a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan. The Morgan County School Department does not pay any premiums for retiree health insurance. However, since pre-65 retirees are allowed to remain on the plan, an implicit rate subsidy exists and is accounted for as other postemployment benefits.

### Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan
ARC	\$ 218,000
Interest on the NOPEBO	20,410
Adjustment to the ARC	(20,492)
Annual OPEB cost	\$ 217,918
Amount of contribution	(226,006)
Increase/decrease in NOPEBO	\$ (8,088)
Net OPEB obligation, 7-1-16	544,278
Net OPEB Obligation, 6-30-17	\$ 536,190

Fiscal Year Ended	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-15	Local Education Group	\$ 159,530	99	% \$ 514,545
6-30-16	"	209,923	86	544,278
6-30-17	"	217,918	104	536,190

### Funded Status and Funding Progress

The funded status of the plan as of July 1, 2015, was as follows:

	<u>Local Education Group Plan</u>
Actuarial valuation date	7/1/2015
Actuarial accrued liability (AAL)	\$ 1,973,000
Actuarial value of plan assets	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 1,973,000
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	\$ 12,473,279
UAAL as a % of covered payroll	15.82%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

### Actuarial Methods and Assumptions

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the July 1, 2015, actuarial valuation for the Local Education Plan, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 3.75 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of six percent in fiscal year 2017 and then be reduced by decrements to an ultimate rate of 4.645 percent by fiscal year 2050. The rate includes a 2.5 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 35-year period beginning with July 1, 2007. Payroll is assumed to grow at a rate of three percent.

**H. Termination Benefits**

The Morgan County Board of Education offers a one-time payment of \$5,000 to eligible employees as an early retirement bonus. During the 2016-17 year, three employees accepted the offer. The financial statements of this report reflect expenditures of \$15,000 in the General Purpose School Fund for the retirement incentive payments, and there is no further liability to those retirees under the incentive plan.

The Morgan County Board of Education also provides \$2,000 per year for medical insurance premiums to eligible employees for a maximum of five years following retirement or until the retiree is eligible for Medicare. These payments are made directly to the retiree. During the 2016-17 year, 19 retirees were eligible for this benefit. The financial statements of this report reflect expenditures of \$38,000 in the General Purpose School Fund for these payments, and a long-term liability of \$48,000 at June 30, 2017, for future known amounts due under this policy is reflected in the government-wide statements for the School Department.

**I. Office of Central Accounting, Budgeting, and Purchasing**

Morgan County operates under the provisions of the County Financial Management System of 1981. This act provides for a central system of accounting, budgeting, and purchasing for all county departments. The act also provides for the creation of a Finance Department operated under the direction of the finance director.

**J. Purchasing Law**

The County Financial Management System of 1981 provides for the finance director or a deputy appointed by him to serve as the county purchasing agent. The finance director serves as the purchasing agent for Morgan County. All purchase orders are issued by the Finance Department. Purchases exceeding \$25,000 are required to be competitively bid.

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## REQUIRED SUPPLEMENTARY INFORMATION

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Exhibit E-1

Morgan County, Tennessee  
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Based on  
Participation in the Public Employee Pension Plan of TCRS  
Primary Government  
For the Fiscal Year Ended June 30

	2014	2015	2016
<b>Total Pension Liability</b>			
Service Cost	\$ 620,520	\$ 638,132	\$ 673,862
Interest	1,210,817	1,270,858	1,343,645
Changes in Benefit Terms	0	0	0
Differences Between Actual and Expected Experience	(272,625)	(126,191)	(184,982)
Changes in Assumptions	0	0	0
Benefit Payments, Including Refunds of Employee Contributions	(745,620)	(805,944)	(890,122)
Net Change in Total Pension Liability	\$ 813,092	\$ 976,855	\$ 942,403
Total Pension Liability, Beginning	15,896,523	16,709,615	17,686,470
Total Pension Liability, Ending (a)	\$ 16,709,615	\$ 17,686,470	\$ 18,628,873
<b>Plan Fiduciary Net Position</b>			
Contributions - Employer	\$ 578,610	\$ 621,625	\$ 642,161
Contributions - Employee	402,265	400,020	413,779
Net Investment Income	2,419,366	530,200	475,267
Benefit Payments, Including Refunds of Employee Contributions	(745,620)	(805,944)	(890,122)
Administrative Expense	(12,384)	(16,019)	(24,544)
Other	0	0	1,556
Net Change in Plan Fiduciary Net Position	\$ 2,642,237	\$ 729,882	\$ 618,097
Plan Fiduciary Net Position, Beginning	14,501,958	17,144,195	17,874,077
Plan Fiduciary Net Position, Ending (b)	\$ 17,144,195	\$ 17,874,077	\$ 18,492,174
Net Pension Liability (Asset), Ending (a - b)	\$ (434,580)	\$ (187,607)	\$ 136,699
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	102.60%	101.06%	99.27%
Covered Payroll	\$ 7,787,142	\$ 7,997,109	\$ 8,273,864
Net Pension Liability (Asset) as a Percentage of Covered Payroll	(5.58%)	(2.35%)	1.65%

Note: ten years of data will be presented when available.

Note: data presented includes primary government and non-certified employees of the discretely presented School Department.

Exhibit E-2

Morgan County, Tennessee  
Schedule of Contributions Based on Participation in the Public  
Employee Pension Plan of TCRS  
Primary Government  
For the Fiscal Year Ended June 30

	2014	2015	2016	2017
Actuarially Determined Contribution	\$ 578,610	\$ 621,625	\$ 642,161	\$ 669,343
Less Contributions in Relation to the Actuarially Determined Contribution	(578,610)	(621,625)	(642,161)	(669,343)
Contribution Deficiency (Excess)	\$ 0	\$ 0	\$ 0	\$ 0
Covered Payroll	\$ 7,787,142	\$ 7,997,109	\$ 8,273,864	\$ 8,620,393
Contributions as a Percentage of Covered Payroll	7.43%	7.77%	7.76%	7.76%

Note: ten years of data will be presented when available.

Note: data presented includes primary government and  
non-certified employees of the discretely presented School Department.

Exhibit E-3

Morgan County, Tennessee  
Schedule of Contributions Based on Participation in the Teacher  
Pension Plan of TCRS  
Discretely Presented Morgan County School Department  
For the Fiscal Year Ended June 30

	2015	2016	2017
Contractually Required Contribution	\$ 17,591	\$ 28,248	\$ 39,802
Less Contributions in Relation to the Contractually Required Contribution	(17,591)	(28,248)	(39,802)
Contribution Deficiency (Excess)	\$ 0	\$ 0	\$ 0
Covered Payroll	\$ 439,780	\$ 706,201	\$ 995,050
Contributions as a Percentage of Covered Payroll	4.00%	4.00%	4.00%

Note: ten years of data will be presented when available.

Exhibit E-4

Morgan County, Tennessee  
Schedule of Contributions Based on Participation in the Teacher  
Legacy Pension Plan of TCRS  
Discretely Presented Morgan County School Department  
For the Fiscal Year Ended June 30

	2014	2015	2016	2017
Contractually Required Contribution	\$ 1,042,557	\$ 1,047,412	\$ 1,046,060	\$ 1,038,253
Less Contributions in Relation to the Contractually Required Contribution	(1,042,557)	(1,047,412)	(1,046,060)	(1,038,253)
Contribution Deficiency (Excess)	\$ 0	\$ 0	\$ 0	\$ 0
Covered Payroll	\$ 11,740,509	\$ 11,586,423	\$ 11,571,453	\$ 11,485,116
Contributions as a Percentage of Covered Payroll	8.88%	9.04%	9.04%	9.04%

Note: ten years of data will be presented when available.



Exhibit E-5

Morgan County, Tennessee  
Schedule of Proportionate Share of the Net Pension Liability (Asset)  
in the Teacher Pension Plan of TCRS  
Discretely Presented Morgan County School Department  
For the Fiscal Year Ended June 30 \*

	<u>2016</u>	<u>2017</u>
School Department's Proportion of the Net Pension Liability/Asset	0.207293%	0.160499%
School Department's Proportionate Share of the Net Pension Liability (Asset)	\$ (8,515)	\$ (16,708)
Covered Payroll	\$ 439,780	\$ 706,201
School Department's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	(1.94%)	(2.37%)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	127.46%	121.88%

\* The amounts presented were determined as of June 30 of the prior fiscal year.

Note: ten years of data will be presented when available.

Exhibit E-6

Morgan County, Tennessee  
Schedule of Proportionate Share of the Net Pension Liability (Asset)  
in the Teacher Legacy Pension Plan of TCRS  
Discretely Presented Morgan County School Department  
For the Fiscal Year Ended June 30 \*

	2015	2016	2017
School Department's Proportion of the Net Pension Liability/Asset	0.299122%	0.309507%	0.320557%
School Department's Proportionate Share of the Net Pension Liability (Asset)	\$ (48,606)	\$ 126,785	\$ 2,003,303
Covered Payroll	\$ 11,740,509	\$ 11,586,423	\$ 11,571,453
School Department's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	(41.40%)	1.09%	17.31%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	100.08%	99.81%	97.14%

\* The amounts presented were determined as of June 30 of the prior fiscal year.

Note: ten years of data will be presented when available.

Exhibit E-7

Morgan County, Tennessee  
Schedule of Funding Progress – Other Postemployment Benefits Plan  
Discretely Presented Morgan County School Department  
June 30, 2017

Local Education Group Plan

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7-1-11	\$ 0	\$ 2,046	\$ 2,046	0	% \$ 11,948	17.12 %
7-1-13	0	1,465	1,465	0	12,017	12.19
7-1-15	0	1,973	1,973	0	12,473	15.82

**MORGAN COUNTY, TENNESSEE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2017**

**TENNESSEE CONSOLIDATED RETIREMENT SYSTEM**

*Valuation Date:* Actuarially determined contribution rates for 2017 were calculated based on the July 1, 2015, actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Frozen Initial Liability
Amortization Method	Level Dollar, Closed (Not to Exceed 20 Years)
Remaining Amortization Period	Varies by Year
Asset Valuation	10-Year Smoothed Within a 20% Corridor to Market Value
Inflation	3%
Salary Increases	Graded Salary Ranges from 8.97% to 3.71% Based on Age, Including Inflation, Averaging 4.25%
Investment Rate of Return	7.5%, Net of Investment Expense, Including Inflation
Retirement Age	Pattern of Retirement Determined by Experience Study
Mortality	Customized Table Based on Actual Experience Including an Adjustment for Some Anticipated Improvement
Cost of Living Adjustment	2.5%

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**COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS AND SCHEDULES**

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# **Nonmajor Governmental Funds**

## **Special Revenue Funds**

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Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

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Drug Control Fund – The Drug Control Fund is used to account for revenues received from drug-related fines, forfeitures, and seizures.

Constitutional Officers - Fees Fund – The Constitutional Officers - Fees Fund is used to account for operating expenses paid directly from the fee and commission accounts of the trustee, clerks, register of deeds, and sheriff.

## **Capital Projects Fund**

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Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

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General Capital Projects Fund – The General Capital Projects Fund is used to account for general capital expenditures of the county.

## Exhibit F-1

Morgan County, Tennessee  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2017

	Special Revenue Funds			Capital Projects Fund	Total Nonmajor Governmental Funds
	Drug Control	Constitu- tional Officers - Fees	Total	General Capital Projects	
<u>ASSETS</u>					
Cash	\$ 0	\$ 1,150	\$ 1,150	\$ 0	\$ 1,150
Equity in Pooled Cash and Investments	55,566	0	55,566	149,632	205,198
Due from Other Governments	0	0	0	30,022	30,022
Total Assets	<u>\$ 55,566</u>	<u>\$ 1,150</u>	<u>\$ 56,716</u>	<u>\$ 179,654</u>	<u>\$ 236,370</u>
<u>LIABILITIES</u>					
Due to Other Funds	\$ 0	\$ 1,150	\$ 1,150	\$ 0	\$ 1,150
Total Liabilities	<u>\$ 0</u>	<u>\$ 1,150</u>	<u>\$ 1,150</u>	<u>\$ 0</u>	<u>\$ 1,150</u>
<u>FUND BALANCES</u>					
Restricted:					
Restricted for Public Safety	\$ 55,566	\$ 0	\$ 55,566	\$ 0	\$ 55,566
Committed:					
Committed for Capital Projects	0	0	0	179,654	179,654
Total Fund Balances	<u>\$ 55,566</u>	<u>\$ 0</u>	<u>\$ 55,566</u>	<u>\$ 179,654</u>	<u>\$ 235,220</u>
Total Liabilities and Fund Balances	<u>\$ 55,566</u>	<u>\$ 1,150</u>	<u>\$ 56,716</u>	<u>\$ 179,654</u>	<u>\$ 236,370</u>

## Exhibit F-2

Morgan County, Tennessee  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2017

	Special Revenue Funds			Capital Projects Fund	Total Nonmajor Governmental Funds
	Drug Control	Constitu- tional Officers - Fees	Total	General Capital Projects	
<u>Revenues</u>					
Fines, Forfeitures, and Penalties	\$ 51,020	\$ 0	\$ 51,020	\$ 0	\$ 51,020
Charges for Current Services	0	31,830	31,830	0	31,830
Other Local Revenues	2,586	0	2,586	0	2,586
State of Tennessee	0	0	0	67,281	67,281
Federal Government	0	0	0	538,750	538,750
Other Governments and Citizens Groups	0	0	0	3,698	3,698
Total Revenues	<u>\$ 53,606</u>	<u>\$ 31,830</u>	<u>\$ 85,436</u>	<u>\$ 609,729</u>	<u>\$ 695,165</u>
<u>Expenditures</u>					
Current:					
Finance	\$ 0	\$ 352	\$ 352	\$ 0	\$ 352
Administration of Justice	0	31,478	31,478	0	31,478
Public Safety	35,236	0	35,236	0	35,236
Capital Projects	0	0	0	547,908	547,908
Total Expenditures	<u>\$ 35,236</u>	<u>\$ 31,830</u>	<u>\$ 67,066</u>	<u>\$ 547,908</u>	<u>\$ 614,974</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 18,370</u>	<u>\$ 0</u>	<u>\$ 18,370</u>	<u>\$ 61,821</u>	<u>\$ 80,191</u>
<u>Other Financing Sources (Uses)</u>					
Transfers Out	\$ (23,886)	\$ 0	\$ (23,886)	\$ 0	\$ (23,886)
Total Other Financing Sources (Uses)	<u>\$ (23,886)</u>	<u>\$ 0</u>	<u>\$ (23,886)</u>	<u>\$ 0</u>	<u>\$ (23,886)</u>
Net Change in Fund Balances	\$ (5,516)	\$ 0	\$ (5,516)	\$ 61,821	\$ 56,305
Fund Balance, July 1, 2016	61,082	0	61,082	117,833	178,915
Fund Balance, June 30, 2017	<u>\$ 55,566</u>	<u>\$ 0</u>	<u>\$ 55,566</u>	<u>\$ 179,654</u>	<u>\$ 235,220</u>



## Exhibit F-3

Morgan County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Drug Control Fund  
For the Year Ended June 30, 2017

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 51,020	\$ 54,896	\$ 54,896	\$ (3,876)
Other Local Revenues	2,586	0	2,023	563
Total Revenues	<u>\$ 53,606</u>	<u>\$ 54,896</u>	<u>\$ 56,919</u>	<u>\$ (3,313)</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 35,236	\$ 37,010	\$ 39,033	\$ 3,797
<u>Capital Projects</u>				
Public Safety Projects	0	23,886	0	0
Total Expenditures	<u>\$ 35,236</u>	<u>\$ 60,896</u>	<u>\$ 39,033</u>	<u>\$ 3,797</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 18,370</u>	<u>\$ (6,000)</u>	<u>\$ 17,886</u>	<u>\$ 484</u>
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (23,886)	0	\$ (23,886)	0
Total Other Financing Sources	<u>\$ (23,886)</u>	<u>0</u>	<u>\$ (23,886)</u>	<u>0</u>
Net Change in Fund Balance	\$ (5,516)	\$ (6,000)	\$ (6,000)	484
Fund Balance, July 1, 2016	<u>61,082</u>	<u>61,082</u>	<u>61,082</u>	<u>0</u>
Fund Balance, June 30, 2017	<u><u>\$ 55,566</u></u>	<u><u>\$ 55,082</u></u>	<u><u>\$ 55,082</u></u>	<u><u>\$ 484</u></u>

# **Major Governmental Fund**

## **General Debt Service Fund**

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The General Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

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Exhibit G

Morgan County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
General Debt Service Fund  
For the Year Ended June 30, 2017

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,522,839	\$ 1,549,723	\$ 1,549,723	\$ (26,884)
Other Governments and Citizens Groups	593,055	717,070	593,056	(1)
Total Revenues	<u>\$ 2,115,894</u>	<u>\$ 2,266,793</u>	<u>\$ 2,142,779</u>	<u>\$ (26,885)</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 238,000	\$ 238,000	\$ 238,000	\$ 0
Education	472,122	1,123,308	478,912	6,790
<u>Interest on Debt</u>				
General Government	135,874	199,784	199,784	63,910
Education	510,280	655,701	555,822	45,542
<u>Other Debt Service</u>				
General Government	33,200	38,000	38,000	4,800
Education	1,565,079	0	1,565,079	0
Total Expenditures	<u>\$ 2,954,555</u>	<u>\$ 2,254,793</u>	<u>\$ 3,075,597</u>	<u>\$ 121,042</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (838,661)</u>	<u>\$ 12,000</u>	<u>\$ (932,818)</u>	<u>\$ 94,157</u>
<u>Other Financing Sources (Uses)</u>				
Refunding Debt Issued	\$ 11,560,000	\$ 0	\$ 11,560,000	\$ 0
Premiums on Debt Sold	133,648	0	133,648	0
Payments to Refunded Debt Escrow Agent	(10,748,830)	0	(10,748,830)	0
Total Other Financing Sources	<u>\$ 944,818</u>	<u>\$ 0</u>	<u>\$ 944,818</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 106,157	\$ 12,000	\$ 12,000	\$ 94,157
Fund Balance, July 1, 2016	<u>2,216,046</u>	<u>2,216,046</u>	<u>2,216,046</u>	<u>0</u>
Fund Balance, June 30, 2017	<u>\$ 2,322,203</u>	<u>\$ 2,228,046</u>	<u>\$ 2,228,046</u>	<u>\$ 94,157</u>

# Fiduciary Funds

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Agency Funds are used to account for assets held by the county in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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Cities - Sales Tax Fund – The Cities - Sales Tax Fund is used to account for the second half of the sales tax revenues collected inside incorporated cities of the county. These revenues are received by the county from the State of Tennessee and forwarded to the various cities on a monthly basis.

Cities - Property Tax Fund – The Cities - Property Tax Fund is used to account for city property taxes levied by the City of Sunbright and collected by the county trustee for the benefit of the city. These revenues are forwarded to the City of Sunbright monthly.

Constitutional Officers - Agency Fund – The Constitutional Officers - Agency Fund is used to account for amounts collected in an agency capacity by the county clerk, circuit and general sessions courts clerk, clerk and master, register of deeds, and sheriff. Such collections include amounts due the state, cities, other county funds, litigants, heirs, and others.

Exhibit H-1

Morgan County, Tennessee  
Combining Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2017

	Agency Funds			
	Cities - Sales Tax	Cities - Property Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 710,503	\$ 710,503
Due from Other Governments	56,108	0	0	56,108
Property Taxes Receivable	0	51,748	0	51,748
Total Assets	<u>\$ 56,108</u>	<u>\$ 51,748</u>	<u>\$ 710,503</u>	<u>\$ 818,359</u>
<u>LIABILITIES</u>				
Due to Other Taxing Units	\$ 56,108	\$ 51,748	\$ 0	\$ 107,856
Due to Litigants, Heirs, and Others	0	0	710,503	710,503
Total Liabilities	<u>\$ 56,108</u>	<u>\$ 51,748</u>	<u>\$ 710,503</u>	<u>\$ 818,359</u>

## Exhibit H-2

Morgan County, Tennessee  
Combining Statement of Changes in Assets and  
Liabilities - All Agency Funds  
For the Year Ended June 30, 2017

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 358,960	\$ 358,960	\$ 0
Due from Other Governments	56,332	56,108	56,332	56,108
Total Assets	<u>\$ 56,332</u>	<u>\$ 415,068</u>	<u>\$ 415,292</u>	<u>\$ 56,108</u>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 56,332	\$ 415,068	\$ 415,292	\$ 56,108
Total Liabilities	<u>\$ 56,332</u>	<u>\$ 415,068</u>	<u>\$ 415,292</u>	<u>\$ 56,108</u>
<u>Cities-Property Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 49,313	\$ 49,313	\$ 0
Property Taxes Receivable	60,106	51,748	60,106	51,748
Total Assets	<u>\$ 60,106</u>	<u>\$ 101,061</u>	<u>\$ 109,419</u>	<u>\$ 51,748</u>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 60,106	\$ 101,061	\$ 109,419	\$ 51,748
Total Liabilities	<u>\$ 60,106</u>	<u>\$ 101,061</u>	<u>\$ 109,419</u>	<u>\$ 51,748</u>
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 536,735	\$ 3,644,600	\$ 3,470,832	\$ 710,503
Accounts Receivable	81	0	81	0
Total Assets	<u>\$ 536,816</u>	<u>\$ 3,644,600</u>	<u>\$ 3,470,913</u>	<u>\$ 710,503</u>
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 536,816	\$ 3,644,600	\$ 3,470,913	\$ 710,503
Total Liabilities	<u>\$ 536,816</u>	<u>\$ 3,644,600</u>	<u>\$ 3,470,913</u>	<u>\$ 710,503</u>

(Continued)

Exhibit H-2

Morgan County, Tennessee  
Combining Statement of Changes in Assets and  
Liabilities - All Agency Funds (Cont.)

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 536,735	\$ 3,644,600	\$ 3,470,832	\$ 710,503
Equity in Pooled Cash and Investments	0	408,273	408,273	0
Accounts Receivable	81	0	81	0
Due from Other Governments	56,332	56,108	56,332	56,108
Property Taxes Receivable	60,106	51,748	60,106	51,748
Total Assets	\$ 653,254	\$ 4,160,729	\$ 3,995,624	\$ 818,359
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 116,438	\$ 516,129	\$ 524,711	\$ 107,856
Due to Litigants, Heirs, and Others	536,816	3,644,600	3,470,913	710,503
Total Liabilities	\$ 653,254	\$ 4,160,729	\$ 3,995,624	\$ 818,359

# Morgan County School Department

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This section presents combining and individual fund financial statements for the Morgan County School Department, a discretely presented component unit. The School Department uses a General Fund and two Special Revenue Funds.

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General Purpose School Fund – The General Purpose School Fund is used to account for general operations of the School Department.

School Federal Projects Fund – The School Federal Projects Fund is used to account for restricted federal revenues, which must be expended on specific education programs.

Central Cafeteria Fund – The Central Cafeteria Fund is used to account for the cafeteria operations in each of the schools.



## Exhibit I-1

Morgan County, Tennessee  
Statement of Activities  
Discretely Presented Morgan County School Department  
For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position Total Governmental Activities
Governmental Activities:				
Instruction	\$ 14,164,278	\$ 22,819	\$ 1,133,716	\$ (13,007,743)
Support Services	11,096,191	0	748,462	(10,347,729)
Operation of Non-instructional Services	3,384,449	172,760	3,437,632	225,943
Total Governmental Activities	<u>\$ 28,644,918</u>	<u>\$ 195,579</u>	<u>\$ 5,319,810</u>	<u>\$ (23,129,529)</u>
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 2,684,261
Other Local Taxes				71,028
Grants and Contributions Not Restricted to Specific Programs				20,538,055
Unrestricted Investment Income				7,986
Miscellaneous				4,661
Total General Revenues				<u>\$ 23,305,991</u>
Change in Net Position				\$ 176,462
Net Position, July 1, 2016				<u>24,413,686</u>
Net Position, June 30, 2017				<u>\$ 24,590,148</u>

Exhibit I-2

Morgan County, Tennessee  
Balance Sheet - Governmental Funds  
Discretely Presented Morgan County School Department  
June 30, 2017

	Major Funds			Total
	General Purpose School	School Federal Projects	Central Cafeteria	Governmental Funds
<u>ASSETS</u>				
Cash	\$ 1,080	\$ 104	\$ 4	\$ 1,188
Equity in Pooled Cash and Investments	4,111,188	212,489	1,735,035	6,058,712
Accounts Receivable	37,698	0	3,121	40,819
Due from Other Governments	128,849	87,427	100,502	316,778
Due from Other Funds	0	37,920	9,520	47,440
Property Taxes Receivable	3,007,267	0	0	3,007,267
Allowance for Uncollectible Property Taxes	(149,082)	0	0	(149,082)
Total Assets	<u>\$ 7,137,000</u>	<u>\$ 337,940</u>	<u>\$ 1,848,182</u>	<u>\$ 9,323,122</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 991	\$ 54	\$ 0	\$ 1,045
Payroll Deductions Payable	353,720	27,946	320	381,986
Due to Other Funds	37,920	9,520	0	47,440
Total Liabilities	<u>\$ 392,631</u>	<u>\$ 37,520</u>	<u>\$ 320</u>	<u>\$ 430,471</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred Current Property Taxes	\$ 2,707,748	\$ 0	\$ 0	\$ 2,707,748
Deferred Delinquent Property Taxes	141,033	0	0	141,033
Total Deferred Inflows of Resources	<u>\$ 2,848,781</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,848,781</u>
<u>FUND BALANCES</u>				
Restricted:				
Restricted for Education	\$ 0	\$ 420	\$ 1,847,862	\$ 1,848,282

(Continued)

Exhibit I-2

Morgan County, Tennessee  
Balance Sheet - Governmental Funds  
Discretely Presented Morgan County School Department (Cont.)

FUND BALANCES (CONT.)

Committed:

Committed for Education

Assigned:

Assigned for Education

Unassigned

Total Fund Balances

Total Liabilities, Deferred Inflows of Resources, and Fund Balances

Major Funds			Total Governmental Funds
General Purpose School	School Federal Projects	Central Cafeteria	
\$ 0	\$ 300,000	\$ 0	\$ 300,000
806,276	0	0	806,276
3,089,312	0	0	3,089,312
<u>\$ 3,895,588</u>	<u>\$ 300,420</u>	<u>\$ 1,847,862</u>	<u>\$ 6,043,870</u>
<u>\$ 7,137,000</u>	<u>\$ 337,940</u>	<u>\$ 1,848,182</u>	<u>\$ 9,323,122</u>

Exhibit I-3

Morgan County, Tennessee  
Reconciliation of the Balance Sheet of Governmental Funds to  
the Statement of Net Position  
Discretely Presented Morgan County School Department  
June 30, 2017

Amounts reported for governmental activities in the statement  
of net position (Exhibit A) are different because:

Total fund balances - balance sheet - governmental funds (Exhibit I-2)		\$	6,043,870
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	1,112,193	
Add: buildings and improvements net of accumulated depreciation		16,586,040	
Add: other capital assets net of accumulated depreciation		<u>2,104,103</u>	19,802,336
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: leases payable on primary government debt	\$	(72,313)	
Less: other postemployment benefits liability		(536,190)	
Less: termination benefits payable		(48,000)	
Less: compensated absences payable		(192,360)	
Less: net pension liability - agent plan		(62,868)	
Less: net pension liability - teacher legacy plan		<u>(2,003,303)</u>	(2,915,034)
(3) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years:			
Add: deferred outflows of resources related to pensions	\$	4,181,872	
Less: deferred inflows of resources related to pensions		<u>(2,680,637)</u>	1,501,235
(4) Net pension assets of the teacher retirement plan are not current financial resources and therefore are not reported in the governmental funds.			16,708
(5) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>141,033</u>
Net position of governmental activities (Exhibit A)		\$	<u>24,590,148</u>

Exhibit I-4

Morgan County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances -  
Governmental Funds  
Discretely Presented Morgan County School Department  
For the Year Ended June 30, 2017

	Major Funds			Total
	General Purpose School	School Federal Projects	Central Cafeteria	Governmental Funds
<u>Revenues</u>				
Local Taxes	\$ 2,751,408	\$ 0	\$ 0	\$ 2,751,408
Licenses and Permits	530	0	0	530
Charges for Current Services	22,819	0	172,760	195,579
Other Local Revenues	557,534	0	2,605	560,139
State of Tennessee	20,725,551	0	20,482	20,746,033
Federal Government	75,538	2,130,758	2,209,235	4,415,531
Other Governments and Citizens Groups	148,279	0	0	148,279
Total Revenues	\$ 24,281,659	\$ 2,130,758	\$ 2,405,082	\$ 28,817,499
<u>Expenditures</u>				
Current:				
Instruction	\$ 13,286,035	\$ 1,563,594	\$ 0	\$ 14,849,629
Support Services	8,419,686	596,141	0	9,015,827
Operation of Non-instructional Services	1,221,175	0	2,157,559	3,378,734
Debt Service:				
Other Debt Service	593,761	0	0	593,761
Total Expenditures	\$ 23,520,657	\$ 2,159,735	\$ 2,157,559	\$ 27,837,951
Excess (Deficiency) of Revenues Over Expenditures	\$ 761,002	\$ (28,977)	\$ 247,523	\$ 979,548
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 25,000	\$ 0	\$ 25,000
Transfers Out	(25,000)	0	0	(25,000)
Total Other Financing Sources (Uses)	\$ (25,000)	\$ 25,000	\$ 0	\$ 0
Net Change in Fund Balances	\$ 736,002	\$ (3,977)	\$ 247,523	\$ 979,548
Fund Balance, July 1, 2016	3,159,586	304,397	1,600,339	5,064,322
Fund Balance, June 30, 2017	\$ 3,895,588	\$ 300,420	\$ 1,847,862	\$ 6,043,870

Exhibit I-5

Morgan County, Tennessee  
Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balances of Governmental Funds to the  
Statement of Activities  
Discretely Presented Morgan County School Department  
For the Year Ended June 30, 2017

Amounts reported for governmental activities in the statement  
of activities (Exhibit B) are different because:

Net change in fund balances - total governmental funds (Exhibit I-4)		\$	979,548
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:			
Add: capital assets purchased in the current period	\$	280,503	
Less: current-year depreciation expense		(2,119,470)	(1,838,967)
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
Less: deferred delinquent property taxes and other deferred June 30, 2016	\$	(137,152)	
Add: deferred delinquent property taxes and other deferred June 30, 2017		141,033	3,881
(3) The contribution of long-term debt (e.g., capital leases) by the primary government provides current financial resources to governmental funds, while the contribution by the School Department of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.			
Add: principal payments on capital leases for primary government			68,815
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.			
Change in other postemployment benefits liability	\$	8,088	
Change in termination benefits payable		30,000	
Change in compensated absences payable		(100,802)	
Change in net pension asset/liability - agent plan		(148,511)	
Change in net pension asset - teacher retirement plan		8,193	
Change in net pension liability- teacher legacy plan		(1,876,518)	
Change in deferred outflows related to pensions		2,599,332	
Change in deferred inflows related to pensions		443,403	963,185
Change in net position of governmental activities (Exhibit B)		\$	<u>176,462</u>

## Exhibit I-6

Morgan County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Discretely Presented Morgan County School Department  
General Purpose School Fund  
For the Year Ended June 30, 2017

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2016	Add: Encumbrances 6/30/2017	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 2,751,408	\$ 0	\$ 0	\$ 2,751,408	\$ 2,733,070	\$ 2,733,070	\$ 18,338
Licenses and Permits	530	0	0	530	500	500	30
Charges for Current Services	22,819	0	0	22,819	28,500	28,500	(5,681)
Other Local Revenues	557,534	0	0	557,534	520,242	608,949	(51,415)
State of Tennessee	20,725,551	0	0	20,725,551	20,491,125	20,667,307	58,244
Federal Government	75,538	0	0	75,538	0	35,175	40,363
Other Governments and Citizens Groups	148,279	0	0	148,279	0	13,360	134,919
Total Revenues	\$ 24,281,659	\$ 0	\$ 0	\$ 24,281,659	\$ 23,773,437	\$ 24,086,861	\$ 194,798
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 10,911,588	\$ (1,512)	\$ 0	\$ 10,910,076	\$ 11,194,221	\$ 11,058,726	\$ 148,650
Special Education Program	1,475,125	0	10,059	1,485,184	1,394,566	1,550,432	65,248
Career and Technical Education Program	899,322	(1,470)	0	897,852	924,049	911,848	13,996
<u>Support Services</u>							
Attendance	135,197	0	0	135,197	133,867	135,886	689
Health Services	384,212	(1,704)	0	382,508	393,780	394,877	12,369
Other Student Support	456,921	(100)	1,331	458,152	519,637	507,323	49,171
Regular Instruction Program	1,185,148	(61,329)	31,260	1,155,079	1,204,400	1,240,257	85,178
Special Education Program	258,101	0	27,410	285,511	307,755	316,249	30,738
Career and Technical Education Program	80,774	0	0	80,774	97,598	97,598	16,824
Technology	78,038	0	0	78,038	95,000	82,871	4,833
Other Programs	60,728	0	0	60,728	0	60,728	0
Board of Education	462,854	0	187	463,041	564,771	511,771	48,730
Director of Schools	420,632	(93,355)	936	328,213	313,286	337,780	9,567
Office of the Principal	1,474,947	0	0	1,474,947	1,474,235	1,485,799	10,852
Operation of Plant	1,852,110	(45)	350	1,852,415	1,866,092	1,903,472	51,057
Maintenance of Plant	384,463	(30,057)	153,901	508,307	451,383	588,817	80,510
Transportation	1,185,561	(302,501)	290,636	1,173,696	1,023,208	1,219,353	45,657

(Continued)

Exhibit I-6

Morgan County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Discretely Presented Morgan County School Department  
General Purpose School Fund (Cont.)

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2016	Add: Encumbrances 6/30/2017	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Operation of Non-instructional Services</u>							
Early Childhood Education	\$ 1,221,175	\$ 0	\$ 41,576	\$ 1,262,751	\$ 1,310,435	\$ 1,378,193	\$ 115,442
<u>Principal on Debt</u>							
Education	0	0	0	0	68,816	1	1
<u>Interest on Debt</u>							
Education	0	0	0	0	7,171	0	0
<u>Other Debt Service</u>							
Education	593,761	0	0	593,761	717,776	593,762	1
Total Expenditures	\$ 23,520,657	\$ (492,073)	\$ 557,646	\$ 23,586,230	\$ 24,062,046	\$ 24,375,743	\$ 789,513
Excess (Deficiency) of Revenues Over Expenditures	\$ 761,002	\$ 492,073	\$ (557,646)	\$ 695,429	\$ (288,609)	\$ (288,882)	\$ 984,311
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,549	\$ 3,549	\$ (3,549)
Transfers Out	(25,000)	0	0	(25,000)	0	(25,000)	0
Total Other Financing Sources	\$ (25,000)	\$ 0	\$ 0	\$ (25,000)	\$ 3,549	\$ (21,451)	\$ (3,549)
Net Change in Fund Balance	\$ 736,002	\$ 492,073	\$ (557,646)	\$ 670,429	\$ (285,060)	\$ (310,333)	\$ 980,762
Fund Balance, July 1, 2016	3,159,586	(492,073)	0	2,667,513	3,160,175	3,160,175	(492,662)
Fund Balance, June 30, 2017	\$ 3,895,588	\$ 0	\$ (557,646)	\$ 3,337,942	\$ 2,875,115	\$ 2,849,842	\$ 488,100



Exhibit I-7

Morgan County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Discretely Presented Morgan County School Department  
School Federal Projects Fund  
For the Year Ended June 30, 2017

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2016	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Federal Government	\$ 2,130,758	\$ 0	\$ 2,130,758	\$ 1,857,503	\$ 2,415,082	\$ (284,324)
Total Revenues	\$ 2,130,758	\$ 0	\$ 2,130,758	\$ 1,857,503	\$ 2,415,082	\$ (284,324)
<u>Expenditures</u>						
<u>Instruction</u>						
Regular Instruction Program	\$ 928,922	\$ (340)	\$ 928,582	\$ 664,439	\$ 1,002,384	\$ 73,802
Special Education Program	606,337	0	606,337	662,044	634,024	27,687
Career and Technical Education Program	28,335	0	28,335	31,349	28,375	40
<u>Support Services</u>						
Other Student Support	32,590	(922)	31,668	36,313	67,567	35,899
Regular Instruction Program	355,319	(2,715)	352,604	397,750	477,908	125,304
Special Education Program	194,001	0	194,001	58,488	212,141	18,140
Career and Technical Education Program	5,389	0	5,389	3,670	5,389	0
Office of the Principal	8,842	0	8,842	0	8,845	3
Total Expenditures	\$ 2,159,735	\$ (3,977)	\$ 2,155,758	\$ 1,854,053	\$ 2,436,633	\$ 280,875
Excess (Deficiency) of Revenues Over Expenditures	\$ (28,977)	\$ 3,977	\$ (25,000)	\$ 3,450	\$ (21,551)	\$ (3,449)
<u>Other Financing Sources (Uses)</u>						
Transfers In	\$ 25,000	\$ 0	\$ 25,000	\$ 0	\$ 25,000	\$ 0
Transfers Out	0	0	0	(3,449)	(3,449)	3,449
Total Other Financing Sources	\$ 25,000	\$ 0	\$ 25,000	\$ (3,449)	\$ 21,551	\$ 3,449
Net Change in Fund Balance	\$ (3,977)	\$ 3,977	\$ 0	\$ 1	\$ 0	\$ 0
Fund Balance, July 1, 2016	304,397	(3,977)	300,420	304,397	304,397	(3,977)
Fund Balance, June 30, 2017	\$ 300,420	\$ 0	\$ 300,420	\$ 304,398	\$ 304,397	\$ (3,977)

Exhibit I-8

Morgan County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Discretely Presented Morgan County School Department  
Central Cafeteria Fund  
For the Year Ended June 30, 2017

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2016	Add: Encumbrances 6/30/2017	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Charges for Current Services	\$ 172,760	\$ 0	\$ 0	\$ 172,760	\$ 208,335	\$ 209,932	\$ (37,172)
Other Local Revenues	2,605	0	0	2,605	3,757	3,046	(441)
State of Tennessee	20,482	0	0	20,482	26,389	26,389	(5,907)
Federal Government	2,209,235	0	0	2,209,235	1,823,270	1,981,791	227,444
Total Revenues	\$ 2,405,082	\$ 0	\$ 0	\$ 2,405,082	\$ 2,061,751	\$ 2,221,158	\$ 183,924
<u>Expenditures</u>							
<u>Operation of Non-instructional Services</u>							
Food Service	\$ 2,111,010	\$ (43,574)	\$ 30,683	\$ 2,098,119	\$ 1,948,840	\$ 2,173,098	\$ 74,979
Community Services	46,549	0	37,974	84,523	112,911	109,758	25,235
Total Expenditures	\$ 2,157,559	\$ (43,574)	\$ 68,657	\$ 2,182,642	\$ 2,061,751	\$ 2,282,856	\$ 100,214
Excess (Deficiency) of Revenues Over Expenditures	\$ 247,523	\$ 43,574	\$ (68,657)	\$ 222,440	\$ 0	\$ (61,698)	\$ 284,138
Net Change in Fund Balance	\$ 247,523	\$ 43,574	\$ (68,657)	\$ 222,440	\$ 0	\$ (61,698)	\$ 284,138
Fund Balance, July 1, 2016	1,600,339	(43,574)	0	1,556,765	1,522,410	1,522,410	34,355
Fund Balance, June 30, 2017	\$ 1,847,862	\$ 0	\$ (68,657)	\$ 1,779,205	\$ 1,522,410	\$ 1,460,712	\$ 318,493

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## MISCELLANEOUS SCHEDULES

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## Exhibit J-1

Morgan County, Tennessee  
Schedule of Changes in Long-term Bonds, Notes, Other Loans, and Capital Leases  
For the Year Ended June 30, 2017

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-16	Issued During Period	Paid and/or Matured During Period	Debt Refunded	Outstanding 6-30-17
<b>BONDS PAYABLE</b>									
<u>Payable through General Debt Service Fund</u>									
General Obligation School Series 2010	\$ 6,400,000	2 to 3 %	10-13-10	4-1-26	\$ 4,255,000	\$ 0	\$ 375,000	\$ 0	\$ 3,880,000
General Obligation Refunding Series 2017A	9,460,000	2 to 3	5-31-17	6-1-32	0	9,460,000	0	0	9,460,000
General Obligation Refunding Series 2017B	2,100,000	1.375 to 2.65	5-31-17	6-1-24	0	2,100,000	0	0	2,100,000
Total Bonds Payable					<u>\$ 4,255,000</u>	<u>\$ 11,560,000</u>	<u>\$ 375,000</u>	<u>\$ 0</u>	<u>\$ 15,440,000</u>
<b>NOTES PAYABLE</b>									
<u>Payable through General Debt Service Fund</u>									
School Transportation Facility	180,000	4.25	12-27-10	12-1-17	\$ 42,913	\$ 0	\$ 28,307	\$ 0	\$ 14,606
Total Notes Payable					<u>\$ 42,913</u>	<u>\$ 0</u>	<u>\$ 28,307</u>	<u>\$ 0</u>	<u>\$ 14,606</u>
<b>OTHER LOANS PAYABLE</b>									
<u>Payable through General Debt Service Fund</u>									
Public Building Authority of Blount County									
Public Improvement - Series B-13-A	1,750,000	5.6 to 6	10-18-07	6-30-24	\$ 1,475,000	\$ 0	\$ 150,000	\$ 1,325,000	\$ 0
Public Building Authority of Blount County									
Public Improvement - Series B-20-A	750,000	4.25 to 5	6-15-10	6-1-27	750,000	0	0	0	750,000
Public Building Authority of the City of									
Clarksville - Series 2009	2,000,000	Variable	12-15-09	5-25-29	1,555,000	0	88,000	0	1,467,000
Public Building Authority of Sevier									
County - Series VII-A-3	10,095,000	Variable (1)	8-28-08	6-1-26	9,425,000	0	0	9,425,000	0
Total Other Loans Payable					<u>\$ 13,205,000</u>	<u>\$ 0</u>	<u>\$ 238,000</u>	<u>\$ 10,750,000</u>	<u>\$ 2,217,000</u>

(Continued)

Exhibit J-1

Morgan County, Tennessee  
Schedule of Changes in Long-term Bonds, Notes, Other Loans and Capital Leases (Cont.)

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-16	Issued During Period	Paid and/or Matured During Period	Debt Refunded	Outstanding 6-30-17
<u>CAPITAL LEASES PAYABLE</u>									
<u>Payable through General Fund</u>									
Ford Motor Credit Company - Sheriff Department Vehicles	\$ 261,273	5.5 %	3-31-15	9-30-18	\$ 165,329	\$ 0	\$ 63,452	\$ 0	\$ 101,877
Republic First National - Remounted Ambulance	75,997	3.49	10-12-14	8-15-16	38,183	0	38,183	0	0
Republic First National - Ambulance	127,224	3.28	7-22-16	1-15-19	0	127,224	42,439	0	84,785
<u>Payable through Solid Waste/Sanitation Fund</u>									
Garbage Truck	193,342	2.92	3-1-13	3-1-18	80,691	0	39,765	0	40,926
<u>Payable by the School Department through Contributions from the General Purpose School Fund to the Primary Government</u>									
Football Field Lighting	601,414	2.63	4-7-08	8-1-17	141,128	0	68,815	0	72,313
Total Capital Leases Payable					<u>\$ 425,331</u>	<u>\$ 127,224</u>	<u>\$ 252,654</u>	<u>\$ 0</u>	<u>\$ 299,901</u>

(1) An interest rate swap agreement was associated with this issue as discussed in the notes to the financial statements.  
That swap agreement was terminated during the year.

Exhibit J-2

Morgan County, Tennessee  
Schedule of Long-term Debt Requirements by Year

Year Ending June 30	Bonds		
	Principal	Interest	Total
2018	\$ 1,145,000	\$ 386,740	\$ 1,531,740
2019	1,150,000	366,847	1,516,847
2020	1,190,000	339,788	1,529,788
2021	1,225,000	308,190	1,533,190
2022	1,255,000	275,020	1,530,020
2023	1,290,000	240,145	1,530,145
2024	1,320,000	210,025	1,530,025
2025	1,150,000	178,230	1,328,230
2026	1,175,000	150,530	1,325,530
2027	710,000	118,040	828,040
2028	730,000	99,580	829,580
2029	745,000	80,600	825,600
2030	765,000	61,230	826,230
2031	785,000	41,340	826,340
2032	805,000	20,930	825,930
Total	<u>\$ 15,440,000</u>	<u>\$ 2,877,235</u>	<u>\$ 18,317,235</u>

Year Ending June 30	Notes		
	Principal	Interest	Total
2018	\$ 14,606	\$ 311	\$ 14,917
Total	<u>\$ 14,606</u>	<u>\$ 311</u>	<u>\$ 14,917</u>

(Continued)

Exhibit J-2

Morgan County, Tennessee

Schedule of Long-term Debt Requirements by Year (Cont.)

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2018	\$ 92,000	\$ 41,218	\$ 9,101	\$ 142,319
2019	97,000	47,359	7,979	152,338
2020	101,000	46,418	7,378	154,796
2021	107,000	45,438	6,752	159,190
2022	112,000	44,400	6,088	162,488
2023	118,000	43,314	5,394	166,708
2024	123,000	42,169	4,662	169,831
2025	330,000	40,976	3,900	374,876
2026	336,000	29,715	3,094	368,809
2027	493,000	18,396	2,251	513,647
2028	150,000	2,134	1,364	153,498
2029	158,000	679	434	159,113
Total	\$ 2,217,000	\$ 402,216	\$ 58,397	\$ 2,677,613

Year Ending June 30	Capital Leases		
	Principal	Interest	Total
2018	\$ 221,936	\$ 12,357	\$ 234,293
2019	77,965	2,377	80,342
Total	\$ 299,901	\$ 14,734	\$ 314,635

Exhibit J-3

Morgan County, Tennessee  
Schedule of Transfers – Primary Government and Discretely Presented  
Morgan County School Department  
For the Year Ended June 30, 2017

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>PRIMARY GOVERNMENT</u>			
Drug Control	General	Drug officer salary	<u>\$ 23,886</u>
Total Transfers Primary Government			<u><u>\$ 23,886</u></u>
<u>DISCRETELY PRESENTED MORGAN</u> <u>COUNTY SCHOOL DEPARTMENT</u>			
General Purpose School	School Federal Projects Fund	Cost-sharing match for grant	<u>\$ 25,000</u>
Total Transfers Discretely Presented Morgan County School Department			<u><u>\$ 25,000</u></u>



Exhibit J-4

Morgan County, Tennessee  
Schedule of Salaries and Official Bonds of Principal Officials  
Primary Government and Discretely Presented Morgan County School Department  
For the Year Ended June 30, 2017

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Executive	Section 8-24-102, <i>TCA</i>	\$ 75,329	\$ 100,000	RLI Insurance Company
Road Superintendent:	Section 8-24-102, <i>TCA</i>	71,743	100,000	"
Director of Schools	State Board of Education and County Board of Education	99,325 (1)	100,000	"
Trustee	Section 8-24-102, <i>TCA</i>	65,221	925,000	"
Assessor of Property	Section 8-24-102, <i>TCA</i>	65,221	50,000	"
County Clerk	Section 8-24-102, <i>TCA</i>	65,221	100,000	"
Circuit and General Sessions Courts Clerk	Section 8-24-102, <i>TCA</i>	65,221	100,000	"
Clerk and Master	Section 8-24-102, <i>TCA</i>	65,221	100,000	"
Register of Deeds	Section 8-24-102, <i>TCA</i>	65,221	100,000	"
Sheriff	Section 8-24-102, <i>TCA</i>	72,343 (2)	100,000	"
Director of Finance	County Commission	65,221 (3)	100,000	"
County Employees Blanket Bond Coverage:				
Employee Dishonesty - County			150,000	RLI Insurance Company
Employee Dishonesty - School Department			150,000	Tennessee Risk Management Trust

- (1) Includes a chief executive officer training supplement of \$1,000 and a bonus payment of \$1,900.  
(2) Includes a law enforcement training salary supplement of \$600.  
(3) Includes a \$1,400 longevity supplement, and \$8,547 appropriated as a salary supplement in the General Fund and reimbursed by the School Department.

## Exhibit J-5

Morgan County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
For the Year Ended June 30, 2017

	Special Revenue Funds					Debt Service Fund
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 4,396,961	\$ 748,525	\$ 0	\$ 0	\$ 62,814	\$ 575,790
Trustee's Collections - Prior Year	212,159	37,387	0	0	2,993	27,335
Trustee's Collections - Bankruptcy	31	6	0	0	0	4
Circuit Clerk/Clerk and Master Collections - Prior Years	106,415	15,386	0	0	1,181	16,108
Interest and Penalty	40,324	7,078	0	0	571	5,210
Pickup Taxes	20	3	0	0	0	3
Payments in-Lieu-of Taxes - Local Utilities	26,864	0	0	0	0	0
Payments in-Lieu-of Taxes - Other	18,312	0	0	0	0	0
<u>County Local Option Taxes</u>						
Local Option Sales Tax	0	0	0	0	0	894,869
Litigation Tax - General	27,991	0	0	0	0	0
Litigation Tax - Special Purpose	55,355	0	0	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	29,148	0	0	0	0	0
Litigation Tax - Courthouse Security	2,898	0	0	0	0	0
Business Tax	54,074	0	0	0	0	0
Mixed Drink Tax	1,053	0	0	0	0	0
Mineral Severance Tax	0	0	0	0	37,713	0
Other County Local Option Taxes	3,465	0	0	0	0	0
<u>Statutory Local Taxes</u>						
Bank Excise Tax	15,566	0	0	0	0	0
Beer Privilege Tax	200	0	0	0	0	0
Interstate Telecommunications Tax	0	0	0	0	0	3,520
Total Local Taxes	\$ 4,990,836	\$ 808,385	\$ 0	\$ 0	\$ 105,272	\$ 1,522,839

(Continued)

## Exhibit J-5

Morgan County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types (Cont.)

	Special Revenue Funds					Debt Service
	General	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	Highway / Public Works	Fund General Debt Service
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Marriage Licenses	\$ 595	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Cable TV Franchise	62,139	0	0	0	0	0
<u>Permits</u>						
Beer Permits	1,425	0	0	0	0	0
Total Licenses and Permits	<u>\$ 64,159</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>Fines, Forfeitures, and Penalties</u>						
<u>Circuit Court</u>						
Fines	\$ 5,725	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Drug Court Fees	538	0	95	0	0	0
DUI Treatment Fines	428	0	0	0	0	0
Data Entry Fee - Circuit Court	684	0	0	0	0	0
Courtroom Security Fee	1,271	0	0	0	0	0
Victims Assistance Assessments	1,179	0	0	0	0	0
<u>General Sessions Court</u>						
Fines	10,090	0	0	0	0	0
Fines for Littering	759	0	0	0	0	0
Officers Costs	33,383	0	0	0	0	0
Game and Fish Fines	945	0	0	0	0	0
Drug Control Fines	997	0	35,165	0	0	0
Drug Court Fees	3,984	0	0	0	0	0
Jail Fees	2,271	0	0	0	0	0
DUI Treatment Fines	2,512	0	0	0	0	0
Data Entry Fee - General Sessions Court	4,336	0	0	0	0	0
Courtroom Security Fee	23,709	0	0	0	0	0
Victims Assistance Assessments	9,102	0	0	0	0	0

(Continued)

## Exhibit J-5

Morgan County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types (Cont.)

	Special Revenue Funds					Debt Service Fund
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service
<u>Fines, Forfeitures, and Penalties (Cont.)</u>						
<u>Juvenile Court</u>						
Fines	\$ 290	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Officers Costs	2,951	0	0	0	0	0
Data Entry Fee - Juvenile Court	165	0	0	0	0	0
<u>Chancery Court</u>						
Officers Costs	3,870	0	0	0	0	0
Data Entry Fee - Chancery Court	2,728	0	0	0	0	0
Courtroom Security Fee	12	0	0	0	0	0
<u>Judicial District Drug Program</u>						
Data Entry Fee - Other Courts	442	0	0	0	0	0
<u>Other Fines, Forfeitures, and Penalties</u>						
Proceeds from Confiscated Property	0	0	15,760	0	0	0
Total Fines, Forfeitures, and Penalties	\$ 112,371	\$ 0	\$ 51,020	\$ 0	\$ 0	\$ 0
<u>Charges for Current Services</u>						
<u>General Service Charges</u>						
Solid Waste Disposal Fee	\$ 0	\$ 232,111	\$ 0	\$ 0	\$ 0	\$ 0
Patient Charges	1,140,610	0	0	0	0	0
Other General Service Charges	10	0	0	0	0	0
<u>Fees</u>						
Copy Fees	5,489	0	0	0	0	0
Library Fees	13,340	0	0	0	0	0
Telephone Commissions	11,781	0	0	0	0	0
Constitutional Officers' Fees and Commissions	0	0	0	31,830	0	0
Data Processing Fee - Register	6,030	0	0	0	0	0
Data Processing Fee - Sheriff	2,126	0	0	0	0	0

(Continued)

## Exhibit J-5

Morgan County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types (Cont.)

	Special Revenue Funds					Debt Service Fund
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service
<u>Charges for Current Services (Cont.)</u>						
<u>Fees (Cont.)</u>						
Sexual Offender Registration Fee - Sheriff	\$ 2,550	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Data Processing Fee - County Clerk	9,099	0	0	0	0	0
Total Charges for Current Services	\$ 1,191,035	\$ 232,111	\$ 0	\$ 31,830	\$ 0	\$ 0
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 1,953	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Lease/Rentals	111	0	0	0	0	0
Commissary Sales	9,951	0	0	0	0	0
Sale of Gasoline	0	0	0	0	58,128	0
Sale of Recycled Materials	0	22,197	0	0	476	0
Miscellaneous Refunds	6,263	6	2,586	0	0	0
<u>Nonrecurring Items</u>						
Sale of Equipment	27,328	0	0	0	0	0
Sale of Property	14,966	0	0	0	0	0
Damages Recovered from Individuals	2,705	0	0	0	0	0
Contributions and Gifts	61,204	0	0	0	0	0
<u>Other Local Revenues</u>						
Other Local Revenues	31	0	0	0	0	0
Total Other Local Revenues	\$ 124,512	\$ 22,203	\$ 2,586	\$ 0	\$ 58,604	\$ 0
<u>Fees Received From County Officials</u>						
<u>Fees In-Lieu-of Salary</u>						
County Clerk	\$ 205,749	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Circuit Court Clerk	23,219	0	0	0	0	0

(Continued)

## Exhibit J-5

Morgan County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types (Cont.)

	Special Revenue Funds					Debt Service Fund
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service
<u>Fees Received From County Officials (Cont.)</u>						
<u>Fees In-Lieu-of Salary (Cont.)</u>						
General Sessions Court Clerk	\$ 91,140	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Clerk and Master	64,683	0	0	0	0	0
Juvenile Court Clerk	13,915	0	0	0	0	0
Register	74,464	0	0	0	0	0
Sheriff	5,398	0	0	0	0	0
Trustee	276,044	0	0	0	0	0
Total Fees Received From County Officials	<u>\$ 754,612</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
Juvenile Services Program	\$ 9,405	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Solid Waste Grants	0	4,932	0	0	0	0
<u>Public Safety Grants</u>						
Law Enforcement Training Programs	12,000	0	0	0	0	0
Drug Control Grants	57,307	0	0	0	0	0
<u>Health and Welfare Grants</u>						
Health Department Programs	4,701	0	0	0	0	0
<u>Public Works Grants</u>						
State Aid Program	0	0	0	0	702,052	0
Litter Program	0	33,660	0	0	0	0
<u>State Education Funds</u>						
Other State Education Funds	0	0	0	0	0	0
<u>Other State Revenues</u>						
Income Tax	12,639	0	0	0	0	0
Beer Tax	18,415	0	0	0	0	0

(Continued)

## Exhibit J-5

Morgan County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types (Cont.)

	Special Revenue Funds					Debt Service Fund
	General	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	Highway / Public Works	General Debt Service
<u>State of Tennessee (Cont.)</u>						
<u>Other State Revenues (Cont.)</u>						
Alcoholic Beverage Tax	\$ 62,898	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
State Revenue Sharing - T.V.A.	332,427	0	0	0	0	0
Contracted Prisoner Boarding	93,906	0	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	1,870,043	0
Petroleum Special Tax	0	0	0	0	15,865	0
Registrar's Salary Supplement	15,164	0	0	0	0	0
Other State Grants	0	0	0	0	0	0
Other State Revenues	16,253	0	0	0	0	0
Total State of Tennessee	<u>\$ 635,115</u>	<u>\$ 38,592</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,587,960</u>	<u>\$ 0</u>
<u>Federal Government</u>						
<u>Federal Through State</u>						
Community Development	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Homeland Security Grants	0	0	0	0	0	0
Other Federal through State	21,703	0	0	0	0	0
<u>Direct Federal Revenue</u>						
Other Direct Federal Revenue	2,000	0	0	0	0	0
Total Federal Government	<u>\$ 23,703</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>Other Governments and Citizens Groups</u>						
<u>Other Governments</u>						
Contributions	\$ 9,874	\$ 0	\$ 0	\$ 0	\$ 0	\$ 593,055
Contracted Services	103,750	0	0	0	0	0
<u>Other</u>						
Other	39,621	0	0	0	0	0
Total Other Governments and Citizens Groups	<u>\$ 153,245</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 593,055</u>
Total	<u>\$ 8,049,588</u>	<u>\$ 1,101,291</u>	<u>\$ 53,606</u>	<u>\$ 31,830</u>	<u>\$ 2,751,836</u>	<u>\$ 2,115,894</u>

(Continued)

## Exhibit J-5

Morgan County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types (Cont.)

	<u>Capital</u> <u>Projects Fund</u>	
	General Capital Projects	Total
<u>Local Taxes</u>		
<u>County Property Taxes</u>		
Current Property Tax	\$ 0	\$ 5,784,090
Trustee's Collections - Prior Year	0	279,874
Trustee's Collections - Bankruptcy	0	41
Circuit Clerk/Clerk and Master Collections - Prior Years	0	139,090
Interest and Penalty	0	53,183
Pickup Taxes	0	26
Payments in-Lieu-of Taxes - Local Utilities	0	26,864
Payments in-Lieu-of Taxes - Other	0	18,312
<u>County Local Option Taxes</u>		
Local Option Sales Tax	0	894,869
Litigation Tax - General	0	27,991
Litigation Tax - Special Purpose	0	55,355
Litigation Tax - Jail, Workhouse, or Courthouse	0	29,148
Litigation Tax - Courthouse Security	0	2,898
Business Tax	0	54,074
Mixed Drink Tax	0	1,053
Mineral Severance Tax	0	37,713
Other County Local Option Taxes	0	3,465
<u>Statutory Local Taxes</u>		
Bank Excise Tax	0	15,566
Beer Privilege Tax	0	200
Interstate Telecommunications Tax	0	3,520
Total Local Taxes	\$ 0	\$ 7,427,332

(Continued)



## Exhibit J-5

Morgan County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types (Cont.)

	Capital Projects Fund		
	General Capital Projects	Total	
<hr/>			
<u>Licenses and Permits</u>			
<u>Licenses</u>			
Marriage Licenses	\$	0	\$ 595
Cable TV Franchise		0	62,139
<u>Permits</u>			
Beer Permits		0	1,425
Total Licenses and Permits	<hr/>	<hr/>	<hr/>
	\$	0	\$ 64,159
<hr/>			
<u>Fines, Forfeitures, and Penalties</u>			
<u>Circuit Court</u>			
Fines	\$	0	\$ 5,725
Drug Court Fees		0	633
DUI Treatment Fines		0	428
Data Entry Fee - Circuit Court		0	684
Courtroom Security Fee		0	1,271
Victims Assistance Assessments		0	1,179
<u>General Sessions Court</u>			
Fines		0	10,090
Fines for Littering		0	759
Officers Costs		0	33,383
Game and Fish Fines		0	945
Drug Control Fines		0	36,162
Drug Court Fees		0	3,984
Jail Fees		0	2,271
DUI Treatment Fines		0	2,512
Data Entry Fee - General Sessions Court		0	4,336
Courtroom Security Fee		0	23,709
Victims Assistance Assessments		0	9,102

(Continued)

## Exhibit J-5

Morgan County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types (Cont.)

	<u>Capital Projects Fund</u>		
	General Capital Projects		Total
<u>Fines, Forfeitures, and Penalties (Cont.)</u>			
<u>Juvenile Court</u>			
Fines	\$	0	\$ 290
Officers Costs		0	2,951
Data Entry Fee - Juvenile Court		0	165
<u>Chancery Court</u>			
Officers Costs		0	3,870
Data Entry Fee - Chancery Court		0	2,728
Courtroom Security Fee		0	12
<u>Judicial District Drug Program</u>			
Data Entry Fee - Other Courts		0	442
<u>Other Fines, Forfeitures, and Penalties</u>			
Proceeds from Confiscated Property		0	15,760
Total Fines, Forfeitures, and Penalties	\$	0	\$ 163,391
<u>Charges for Current Services</u>			
<u>General Service Charges</u>			
Solid Waste Disposal Fee	\$	0	\$ 232,111
Patient Charges		0	1,140,610
Other General Service Charges		0	10
<u>Fees</u>			
Copy Fees		0	5,489
Library Fees		0	13,340
Telephone Commissions		0	11,781
Constitutional Officers' Fees and Commissions		0	31,830
Data Processing Fee - Register		0	6,030
Data Processing Fee - Sheriff		0	2,126

(Continued)

## Exhibit J-5

Morgan County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types (Cont.)

	<u>Capital Projects Fund</u>		
	General Capital Projects		Total
<hr/>			
<u>Charges for Current Services (Cont.)</u>			
<u>Fees (Cont.)</u>			
Sexual Offender Registration Fee - Sheriff	\$	0	\$ 2,550
Data Processing Fee - County Clerk		0	9,099
Total Charges for Current Services	\$	0	\$ 1,454,976
<hr/>			
<u>Other Local Revenues</u>			
<u>Recurring Items</u>			
Investment Income	\$	0	\$ 1,953
Lease/Rentals		0	111
Commissary Sales		0	9,951
Sale of Gasoline		0	58,128
Sale of Recycled Materials		0	22,673
Miscellaneous Refunds		0	8,855
<u>Nonrecurring Items</u>			
Sale of Equipment		0	27,328
Sale of Property		0	14,966
Damages Recovered from Individuals		0	2,705
Contributions and Gifts		0	61,204
<u>Other Local Revenues</u>			
Other Local Revenues		0	31
Total Other Local Revenues	\$	0	\$ 207,905
<hr/>			
<u>Fees Received From County Officials</u>			
<u>Fees In-Lieu-of Salary</u>			
County Clerk	\$	0	\$ 205,749
Circuit Court Clerk		0	23,219

(Continued)

## Exhibit J-5

Morgan County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types (Cont.)

	Capital Projects Fund		
	General Capital Projects	Total	
<hr/>			
Fees Received From County Officials (Cont.)			
Fees In-Lieu-of Salary (Cont.)			
General Sessions Court Clerk	\$	0	\$ 91,140
Clerk and Master		0	64,683
Juvenile Court Clerk		0	13,915
Register		0	74,464
Sheriff		0	5,398
Trustee		0	276,044
Total Fees Received From County Officials	\$	0	\$ 754,612
<hr/>			
State of Tennessee			
General Government Grants			
Juvenile Services Program	\$	0	\$ 9,405
Solid Waste Grants		0	4,932
Public Safety Grants			
Law Enforcement Training Programs		0	12,000
Drug Control Grants		0	57,307
Health and Welfare Grants			
Health Department Programs		0	4,701
Public Works Grants			
State Aid Program		0	702,052
Litter Program		0	33,660
State Education Funds			
Other State Education Funds		5,000	5,000
Other State Revenues			
Income Tax		0	12,639
Beer Tax		0	18,415

(Continued)

## Exhibit J-5

Morgan County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types (Cont.)

	<u>Capital Projects Fund</u>	
	General Capital Projects	Total
<u>State of Tennessee (Cont.)</u>		
<u>Other State Revenues (Cont.)</u>		
Alcoholic Beverage Tax	\$ 0	\$ 62,898
State Revenue Sharing - T.V.A.	0	332,427
Contracted Prisoner Boarding	0	93,906
Gasoline and Motor Fuel Tax	0	1,870,043
Petroleum Special Tax	0	15,865
Registrar's Salary Supplement	0	15,164
Other State Grants	62,281	62,281
Other State Revenues	0	16,253
Total State of Tennessee	<u>\$ 67,281</u>	<u>\$ 3,328,948</u>
<u>Federal Government</u>		
<u>Federal Through State</u>		
Community Development	\$ 475,736	\$ 475,736
Homeland Security Grants	14,373	14,373
Other Federal through State	48,641	70,344
<u>Direct Federal Revenue</u>		
Other Direct Federal Revenue	0	2,000
Total Federal Government	<u>\$ 538,750</u>	<u>\$ 562,453</u>
<u>Other Governments and Citizens Groups</u>		
<u>Other Governments</u>		
Contributions	\$ 3,698	\$ 606,627
Contracted Services	0	103,750
<u>Other</u>		
Other	0	39,621
Total Other Governments and Citizens Groups	<u>\$ 3,698</u>	<u>\$ 749,998</u>
Total	<u>\$ 609,729</u>	<u>\$ 14,713,774</u>

## Exhibit J-6

Morgan County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
Discretely Presented Morgan County School Department  
For the Year Ended June 30, 2017

	General Purpose School	Special Revenue Funds		Total
		School Federal Projects	Central Cafeteria	
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 2,486,373	\$ 0	\$ 0	\$ 2,486,373
Trustee's Collections - Prior Year	123,666	0	0	123,666
Trustee's Collections - Bankruptcy	18	0	0	18
Circuit Clerk/Clerk and Master Collections - Prior Years	46,893	0	0	46,893
Interest and Penalty	23,419	0	0	23,419
Pickup Taxes	11	0	0	11
<u>Statutory Local Taxes</u>				
Wholesale Beer Tax	71,028	0	0	71,028
Total Local Taxes	<u>\$ 2,751,408</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,751,408</u>
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 530	\$ 0	\$ 0	\$ 530
Total Licenses and Permits	<u>\$ 530</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 530</u>
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Tuition - Regular Day Students	\$ 9,400	\$ 0	\$ 0	\$ 9,400
Tuition - Other	12,855	0	0	12,855
Lunch Payments - Children	0	0	51,031	51,031
Lunch Payments - Adults	0	0	34,520	34,520
Income from Breakfast	0	0	2,376	2,376
A la Carte Sales	0	0	73,304	73,304
Receipts from Individual Schools	564	0	0	564

(Continued)

## Exhibit J-6

Morgan County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
Discretely Presented Morgan County School Department (Cont.)

	General Purpose School	Special Revenue Funds		Total
		School Federal Projects	Central Cafeteria	
<u>Charges for Current Services (Cont.)</u>				
<u>Education Charges (Cont.)</u>				
Other Charges for Services	\$ 0	\$ 0	\$ 11,529	\$ 11,529
Total Charges for Current Services	\$ 22,819	\$ 0	\$ 172,760	\$ 195,579
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 5,486	\$ 0	\$ 2,500	\$ 7,986
E-Rate Funding	20,949	0	0	20,949
Miscellaneous Refunds	4,556	0	105	4,661
<u>Other Local Revenues</u>				
Other Local Revenues	526,543	0	0	526,543
Total Other Local Revenues	\$ 557,534	\$ 0	\$ 2,605	\$ 560,139
<u>State of Tennessee</u>				
<u>General Government Grants</u>				
On-behalf Contributions for OPEB	\$ 60,728	\$ 0	\$ 0	\$ 60,728
<u>State Education Funds</u>				
Basic Education Program	18,964,000	0	0	18,964,000
Early Childhood Education	641,009	0	0	641,009
School Food Service	0	0	20,482	20,482
Other State Education Funds	484,244	0	0	484,244
Career Ladder Program	116,284	0	0	116,284
<u>Other State Revenues</u>				
State Revenue Sharing - T.V.A.	332,427	0	0	332,427
Other State Revenues	126,859	0	0	126,859
Total State of Tennessee	\$ 20,725,551	\$ 0	\$ 20,482	\$ 20,746,033

(Continued)

## Exhibit J-6

Morgan County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
Discretely Presented Morgan County School Department (Cont.)

	General Purpose School	Special Revenue Funds		Total
		School Federal Projects	Central Cafeteria	
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 1,340,964	\$ 1,340,964
USDA - Commodities	0	0	194,521	194,521
Breakfast	0	0	628,463	628,463
USDA - Other	0	0	45,287	45,287
Vocational Education - Basic Grants to States	0	56,379	0	56,379
Title I Grants to Local Education Agencies	0	766,342	0	766,342
Special Education - Grants to States	35,175	766,928	0	802,103
Special Education Preschool Grants	0	33,410	0	33,410
Rural Education	0	65,555	0	65,555
Eisenhower Professional Development State Grants	0	149,085	0	149,085
Other Federal through State	40,363	0	0	40,363
<u>Direct Federal Revenue</u>				
Other Direct Federal Revenue	0	293,059	0	293,059
Total Federal Government	\$ 75,538	\$ 2,130,758	\$ 2,209,235	\$ 4,415,531
<u>Other Governments and Citizens Groups</u>				
<u>Other Governments</u>				
Contributions	\$ 148,279	\$ 0	\$ 0	\$ 148,279
Total Other Governments and Citizens Groups	\$ 148,279	\$ 0	\$ 0	\$ 148,279
Total	\$ 24,281,659	\$ 2,130,758	\$ 2,405,082	\$ 28,817,499



## Exhibit J-7

Morgan County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
For the Year Ended June 30, 2017

General FundGeneral GovernmentCounty Commission

Board and Committee Members Fees	\$	24,420	
Social Security		1,514	
Employer Medicare		354	
Audit Services		7,915	
Dues and Memberships		13,811	
Legal Services		14,284	
Legal Notices, Recording, and Court Costs		2,297	
Pauper Burials		500	
Postal Charges		293	
Other Contracted Services		23,200	
Office Supplies		89	
Other Supplies and Materials		444	
Other Charges		9,492	
Total County Commission			\$ 98,613

County Mayor/Executive

County Official/Administrative Officer	\$	75,329	
Assistant(s)		24,000	
Part-time Personnel		14,620	
Longevity Pay		300	
Social Security		6,820	
Pensions		7,741	
Medical Insurance		20,323	
Employer Medicare		1,595	
Communication		3,605	
Postal Charges		207	
Travel		938	
Office Supplies		477	
Total County Mayor/Executive			155,955

County Attorney

Legal Services	\$	42,141	
Total County Attorney			42,141

Election Commission

County Official/Administrative Officer	\$	58,699	
Clerical Personnel		20,979	
Temporary Personnel		218	
Longevity Pay		400	
Election Commission		3,250	
Election Workers		18,895	
Social Security		4,968	
Pensions		6,222	
Employer Medicare		1,162	
Advertising		1,555	
Communication		2,401	
Dues and Memberships		175	

(Continued)

## Exhibit J-7

Morgan County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types (Cont.)

General Fund (Cont.)General Government (Cont.)Election Commission (Cont.)

Maintenance and Repair Services - Office Equipment	\$	10,577	
Postal Charges		1,342	
Rentals		2,200	
Travel		2,534	
Office Supplies		10,678	
Total Election Commission			\$ 146,255

Register of Deeds

County Official/Administrative Officer	\$	65,221	
Secretary(ies)		23,358	
Part-time Personnel		720	
Longevity Pay		1,300	
Social Security		5,373	
Pensions		6,984	
Medical Insurance		15,752	
Employer Medicare		1,257	
Communication		2,191	
Dues and Memberships		472	
Postal Charges		299	
Printing, Stationery, and Forms		1,353	
Rentals		1,251	
Office Supplies		2,132	
Office Equipment		6,423	
Total Register of Deeds			134,086

County Buildings

Custodial Personnel	\$	23,079	
Longevity Pay		500	
Social Security		1,447	
Pensions		1,754	
Employer Medicare		338	
Communication		3,491	
Maintenance and Repair Services - Buildings		80,911	
Pest Control		4,080	
Rentals		7,500	
Custodial Supplies		5,946	
Electricity		55,316	
Natural Gas		3,067	
Office Supplies		8,020	
Water and Sewer		8,477	
Other Supplies and Materials		2,021	
Liability Insurance		117,801	
Workers' Compensation Insurance		105,405	
Total County Buildings			429,153

(Continued)

## Exhibit J-7

Morgan County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types (Cont.)

General Fund (Cont.)FinanceAccounting and Budgeting

Supervisor/Director	\$	55,274	
Accountants/Bookkeepers		92,042	
Salary Supplements		8,547	
Longevity Pay		6,100	
Social Security		9,540	
Pensions		12,585	
Medical Insurance		44,719	
Employer Medicare		2,231	
Communication		3,119	
Maintenance and Repair Services - Office Equipment		12,441	
Postal Charges		2,642	
Travel		999	
Office Supplies		5,043	
In Service/Staff Development		316	
Data Processing Equipment		310	
Total Accounting and Budgeting			\$ 255,908

Property Assessor's Office

County Official/Administrative Officer	\$	65,221	
Clerical Personnel		65,342	
Longevity Pay		2,400	
Board and Committee Members Fees		2,850	
Social Security		7,884	
Pensions		10,331	
Medical Insurance		20,169	
Employer Medicare		1,844	
Advertising		279	
Audit Services		4,525	
Communication		1,469	
Data Processing Services		3,604	
Maintenance and Repair Services - Office Equipment		1,142	
Postal Charges		704	
Travel		1,210	
Office Supplies		2,591	
Motor Vehicles		595	
Total Property Assessor's Office			192,160

Reappraisal Program

Data Processing Services	\$	4,916	
Total Reappraisal Program			4,916

County Trustee's Office

County Official/Administrative Officer	\$	65,221	
Accountants/Bookkeepers		21,360	
Secretary(ies)		21,103	
Part-time Personnel		4,878	
Longevity Pay		1,400	

(Continued)

## Exhibit J-7

Morgan County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types (Cont.)

General Fund (Cont.)Finance (Cont.)County Trustee's Office (Cont.)

Social Security	\$	6,742	
Pensions		8,476	
Medical Insurance		19,704	
Employer Medicare		1,577	
Advertising		444	
Communication		1,157	
Data Processing Services		11,882	
Dues and Memberships		482	
Maintenance and Repair Services - Office Equipment		6,361	
Postal Charges		2,046	
Travel		125	
Office Supplies		1,150	
Total County Trustee's Office			\$ 174,108

County Clerk's Office

County Official/Administrative Officer	\$	65,221	
Secretary(ies)		43,006	
Part-time Personnel		864	
Longevity Pay		1,400	
Social Security		6,290	
Pensions		8,518	
Medical Insurance		30,694	
Employer Medicare		1,471	
Communication		3,821	
Dues and Memberships		572	
Postal Charges		2,991	
Office Supplies		25,246	
Office Equipment		321	
Total County Clerk's Office			190,415

Administration of JusticeCircuit Court

County Official/Administrative Officer	\$	65,221	
Clerical Personnel		85,110	
Part-time Personnel		10,346	
Longevity Pay		2,700	
Overtime Pay		2,975	
Social Security		9,188	
Pensions		12,122	
Medical Insurance		57,185	
Employer Medicare		2,149	
Communication		3,014	
Maintenance and Repair Services - Office Equipment		16,866	
Postal Charges		1,842	
Rentals		1,555	
Office Supplies		5,498	
Total Circuit Court			275,771

(Continued)

## Exhibit J-7

Morgan County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types (Cont.)

General Fund (Cont.)Administration of Justice (Cont.)Criminal Court

Jury and Witness Expense	\$	3,876	
Postal Charges		350	
Total Criminal Court			\$ 4,226

General Sessions Court

Paraprofessionals	\$	6,144	
Clerical Personnel		21,565	
Longevity Pay		500	
Social Security		1,616	
Pensions		2,192	
Medical Insurance		7,931	
Employer Medicare		378	
Communication		2,065	
Dues and Memberships		370	
Postal Charges		86	
Travel		2,965	
Office Supplies		2,533	
Total General Sessions Court			48,345

General Sessions Judge

Judge(s)	\$	113,915	
Social Security		6,774	
Pensions		8,851	
Medical Insurance		14,663	
Employer Medicare		1,584	
Total General Sessions Judge			145,787

Drug Court

Assistant(s)	\$	21,654	
Guards		5,489	
Social Security		1,634	
Pensions		1,683	
Medical Insurance		5,667	
Unemployment Compensation		89	
Employer Medicare		382	
Communication		2,820	
Postal Charges		120	
Travel		5,471	
Other Contracted Services		10,228	
Office Supplies		2,356	
Total Drug Court			57,593

Chancery Court

County Official/Administrative Officer	\$	65,221	
Clerical Personnel		45,853	
Longevity Pay		3,300	
Social Security		6,613	

(Continued)

## Exhibit J-7

Morgan County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types (Cont.)

General Fund (Cont.)Administration of Justice (Cont.)Chancery Court (Cont.)

Pensions	\$	8,887	
Medical Insurance		24,748	
Employer Medicare		1,547	
Communication		2,135	
Dues and Memberships		60	
Maintenance and Repair Services - Office Equipment		200	
Postal Charges		1,500	
Travel		100	
Office Supplies		4,356	
Total Chancery Court			\$ 164,520

Juvenile Court

Social Workers	\$	20,797	
Social Security		1,023	
Pensions		1,616	
Medical Insurance		14,663	
Employer Medicare		239	
Travel		1,087	
Office Supplies		8,143	
Total Juvenile Court			47,568

Courtroom Security

Supervisor/Director	\$	16,712	
Guards		48,637	
Social Security		4,052	
Employer Medicare		948	
Other Charges		414	
Total Courtroom Security			70,763

Public SafetySheriff's Department

County Official/Administrative Officer	\$	71,743	
Deputy(ies)		647,509	
Salary Supplements		12,000	
Longevity Pay		9,900	
Overtime Pay		83,258	
Other Salaries and Wages		26,308	
Board and Committee Members Fees		100	
In-service Training		5,404	
Other Per Diem and Fees		7,553	
Social Security		49,946	
Pensions		64,344	
Medical Insurance		161,196	
Employer Medicare		11,719	
Dues and Memberships		1,637	
Maintenance and Repair Services - Vehicles		3,643	
Postal Charges		2,273	

(Continued)

## Exhibit J-7

Morgan County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types (Cont.)

General Fund (Cont.)Public Safety (Cont.)Sheriff's Department (Cont.)

Travel	\$	833	
Other Contracted Services		3,083	
Gasoline		46,240	
Law Enforcement Supplies		2,136	
Office Supplies		3,956	
Uniforms		4,352	
Vehicle Parts		40,860	
Other Supplies and Materials		2,153	
Other Charges		1,500	
Communication Equipment		19,294	
Data Processing Equipment		3,000	
Law Enforcement Equipment		6,311	
Motor Vehicles		95,000	
Total Sheriff's Department			\$ 1,387,251

Jail

Supervisor/Director	\$	35,523	
Guards		492,435	
Clerical Personnel		25,901	
Maintenance Personnel		464	
Longevity Pay		9,400	
Overtime Pay		48,088	
Other Salaries and Wages		22,513	
In-service Training		3,206	
Social Security		37,594	
Pensions		43,018	
Medical Insurance		142,902	
Employer Medicare		8,792	
Communication		35,880	
Contracts with Private Agencies		134,006	
Maintenance and Repair Services - Buildings		28,928	
Maintenance and Repair Services - Equipment		9,945	
Maintenance and Repair Services - Office Equipment		2,884	
Medical and Dental Services		289,887	
Pest Control		360	
Travel		174	
Other Contracted Services		7,511	
Custodial Supplies		13,927	
Drugs and Medical Supplies		519	
Electricity		31,415	
Natural Gas		10,477	
Office Supplies		3,233	
Prisoners Clothing		7,659	
Uniforms		3,996	
Water and Sewer		41,262	
Other Supplies and Materials		4,197	
Total Jail			1,496,096

(Continued)

## Exhibit J-7

Morgan County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types (Cont.)

General Fund (Cont.)Public Safety (Cont.)Juvenile Services

Other Contracted Services	\$ 1,020	
Total Juvenile Services		\$ 1,020

Fire Prevention and Control

Medical Insurance	\$ 9,763	
Contracts with Government Agencies	2,000	
Contributions	54,500	
Vehicle and Equipment Insurance	37,548	
Workers' Compensation Insurance	5,044	
Other Charges	20,335	
Total Fire Prevention and Control		129,190

Civil Defense

Supervisor/Director	\$ 7,647	
Salary Supplements	9,290	
Social Security	1,050	
Employer Medicare	246	
Communication	4,627	
Dues and Memberships	610	
Maintenance and Repair Services - Equipment	2,504	
Travel	1,351	
Gasoline	654	
Office Supplies	554	
Other Supplies and Materials	1,195	
Liability Insurance	2,315	
Total Civil Defense		32,043

Rescue Squad

Contributions	\$ 3,000	
Total Rescue Squad		3,000

Other Emergency Management

Assistant(s)	\$ 28,007	
Supervisor/Director	42,082	
Dispatchers/Radio Operators	178,046	
Part-time Personnel	14,158	
Longevity Pay	5,400	
Overtime Pay	27,397	
Other Salaries and Wages	6,406	
Social Security	18,066	
Pensions	20,761	
Medical Insurance	40,060	
Unemployment Compensation	957	
Employer Medicare	4,225	
Total Other Emergency Management		385,565

(Continued)



## Exhibit J-7

Morgan County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types (Cont.)

General Fund (Cont.)Public Safety (Cont.)County Coroner/Medical Examiner

Supervisor/Director	\$	18,000	
Medical and Dental Services		14,639	
Total County Coroner/Medical Examiner			\$ 32,639

Other Public Safety

Contributions	\$	5,000	
Road Signs		569	
Total Other Public Safety			5,569

Public Health and WelfareLocal Health Center

Custodial Personnel	\$	4,767	
Social Security		296	
Employer Medicare		69	
Communication		3,355	
Contributions		19,327	
Maintenance and Repair Services - Buildings		957	
Maintenance and Repair Services - Equipment		857	
Postal Charges		465	
Custodial Supplies		198	
Drugs and Medical Supplies		535	
Electricity		4,516	
Natural Gas		1,187	
Office Supplies		652	
Water and Sewer		1,015	
Other Charges		16,244	
Total Local Health Center			54,440

Ambulance/Emergency Medical Services

Supervisor/Director	\$	47,042	
Accountants/Bookkeepers		24,290	
Medical Personnel		414,960	
Salary Supplements		7,450	
Temporary Personnel		25,737	
Longevity Pay		16,500	
Overtime Pay		310,459	
Other Salaries and Wages		15,824	
In-service Training		1,670	
Social Security		50,747	
Pensions		65,332	
Medical Insurance		147,429	
Employer Medicare		11,868	
Communication		8,140	
Dues and Memberships		600	
Licenses		2,250	
Maintenance and Repair Services - Equipment		11,479	
Maintenance and Repair Services - Vehicles		38,648	

(Continued)

## Exhibit J-7

Morgan County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types (Cont.)

General Fund (Cont.)Public Health and Welfare (Cont.)Ambulance/Emergency Medical Services (Cont.)

Postal Charges	\$	2,071	
Travel		2,015	
Other Contracted Services		43,568	
Custodial Supplies		2,288	
Drugs and Medical Supplies		69,538	
Electricity		6,910	
Gasoline		27,697	
Natural Gas		2,036	
Office Supplies		1,551	
Uniforms		3,936	
Water and Sewer		1,925	
Liability Insurance		26,611	
Other Charges		11,070	
Attendance Equipment		52,698	
Communication Equipment		1,462	
Data Processing Equipment		2,936	
Motor Vehicles		127,224	
Total Ambulance/Emergency Medical Services			\$ 1,585,961

Crippled Children Services

Contributions	\$	360	
Other Charges		5,000	
Total Crippled Children Services			5,360

Other Local Health Services

Clerical Personnel	\$	21,420	
Social Security		1,269	
Pensions		1,664	
Medical Insurance		5,667	
Employer Medicare		297	
Travel		184	
Total Other Local Health Services			30,501

Social, Cultural, and Recreational ServicesSenior Citizens Assistance

Other Charges	\$	1,600	
Total Senior Citizens Assistance			1,600

Libraries

Librarians	\$	45,691	
In-service Training		600	
Social Security		2,833	
Employer Medicare		663	
Communication		9,353	
Postal Charges		700	
Rentals		1,263	
Travel		699	

(Continued)

## Exhibit J-7

Morgan County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types (Cont.)

General Fund (Cont.)Social, Cultural, and Recreational Services (Cont.)Libraries (Cont.)

Instructional Supplies and Materials	\$	3,500	
Office Supplies		1,198	
Periodicals		2,350	
Other Charges		13,051	
Data Processing Equipment		107	
Total Libraries			\$ 82,008

Parks and Fair Boards

Maintenance and Repair Services - Buildings	\$	1,200	
Total Parks and Fair Boards			1,200

Agriculture and Natural ResourcesAgricultural Extension Service

Communication	\$	2,863	
Maintenance and Repair Services - Office Equipment		950	
Travel		1,050	
Other Contracted Services		37,200	
Office Supplies		4,458	
Other Supplies and Materials		19,564	
Office Equipment		1,000	
Total Agricultural Extension Service			67,085

Soil Conservation

Contributions	\$	5,000	
Other Charges		9,000	
Total Soil Conservation			14,000

Other OperationsTourism

Contributions	\$	4,000	
Total Tourism			4,000

Other Economic and Community Development

Contributions	\$	23,000	
Total Other Economic and Community Development			23,000

Veterans' Services

Contributions	\$	10,063	
Other Contracted Services		15,040	
Total Veterans' Services			25,103

Miscellaneous

Life Insurance	\$	2,612	
Unemployment Compensation		10,471	
Remittance of Revenue Collected		10,282	
Trustee's Commission		114,446	
Total Miscellaneous			137,811

(Continued)

## Exhibit J-7

Morgan County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types (Cont.)

General Fund (Cont.)Principal on DebtGeneral Government

Principal on Capital Leases	\$ 144,074	
Total General Government		\$ 144,074

Interest on DebtGeneral Government

Interest on Capital Leases	\$ 11,623	
Total General Government		<u>11,623</u>

Total General Fund		\$ 8,298,422
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Solid Waste/Sanitation FundPublic Health and WelfareSanitation Management

Supervisor/Director	\$ 48,747	
Longevity Pay	3,200	
Social Security	3,031	
Pensions	4,036	
Medical Insurance	10,095	
Employer Medicare	709	
Liability Insurance	6,787	
Workers' Compensation Insurance	<u>39,327</u>	
Total Sanitation Management		\$ 115,932

Sanitation Education/Information

Supervisor/Director	\$ 13,906	
Attendants	13,415	
Social Security	1,694	
Employer Medicare	396	
Travel	402	
Gasoline	1,303	
Instructional Supplies and Materials	485	
Vehicle Parts	196	
Other Supplies and Materials	<u>2,314</u>	
Total Sanitation Education/Information		34,111

Waste Pickup

Truck Drivers	\$ 48,529	
Part-time Personnel	8,075	
Longevity Pay	700	
Overtime Pay	2,653	
Social Security	3,310	
Pensions	4,385	
Medical Insurance	26,135	
Employer Medicare	774	
Licenses	25	
Other Contracted Services	274,421	
Equipment and Machinery Parts	6,657	

(Continued)

## Exhibit J-7

Morgan County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types (Cont.)

Solid Waste/Sanitation Fund (Cont.)Public Health and Welfare (Cont.)Waste Pickup (Cont.)

Gasoline	\$	10,933	
Lubricants		416	
Tires and Tubes		4,385	
Solid Waste Equipment		57,897	
Total Waste Pickup			\$ 449,295

Convenience Centers

Attendants	\$	183,375	
Longevity Pay		4,700	
Overtime Pay		4,196	
Other Salaries and Wages		1,180	
Social Security		11,175	
Pensions		10,761	
Medical Insurance		51,978	
Employer Medicare		2,614	
General Construction Materials		12,613	
Gravel and Chert		1,297	
Other Supplies and Materials		1,489	
Total Convenience Centers			285,378

Recycling Center

Supervisor/Director	\$	24,680	
Part-time Personnel		25,024	
Longevity Pay		500	
Social Security		2,837	
Pensions		1,956	
Medical Insurance		14,679	
Employer Medicare		663	
Communication		1,726	
Electricity		1,208	
Gasoline		1,551	
Vehicle Parts		2,740	
Water and Sewer		373	
Other Supplies and Materials		609	
Other Charges		600	
Total Recycling Center			79,146

Landfill Operation and Maintenance

Attendants	\$	23,438	
Longevity Pay		200	
Overtime Pay		1,820	
Social Security		900	
Pensions		422	
Medical Insurance		9,276	
Employer Medicare		262	
Communication		7,012	
Maintenance and Repair Services - Equipment		15,092	

(Continued)

## Exhibit J-7

Morgan County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types (Cont.)

Solid Waste/Sanitation Fund (Cont.)Public Health and Welfare (Cont.)Landfill Operation and Maintenance (Cont.)

Rentals	\$	5,404	
Electricity		14,126	
Equipment and Machinery Parts		11,381	
Gasoline		10,152	
General Construction Materials		5,008	
Natural Gas		408	
Office Supplies		1,994	
Water and Sewer		2,036	
Landfill Closure/Postclosure Care Costs		11,135	
Total Landfill Operation and Maintenance			\$ 120,066

Other OperationsOther Charges

Trustee's Commission	\$	18,490	
Total Other Charges			18,490

Miscellaneous

Life Insurance	\$	229	
Unemployment Compensation		1,211	
Total Miscellaneous			1,440

Principal on DebtGeneral Government

Principal on Capital Leases	\$	39,765	
Total General Government			39,765

Interest on DebtGeneral Government

Interest on Capital Leases	\$	2,356	
Total General Government			2,356

Total Solid Waste/Sanitation Fund \$ 1,145,979

Drug Control FundPublic SafetyDrug Enforcement

In-service Training	\$	3,418	
Contributions		260	
Confidential Drug Enforcement Payments		800	
Rentals		4,200	
Towing Services		5,660	
Travel		302	
Veterinary Services		241	
Other Contracted Services		13,578	
Animal Food and Supplies		853	
Instructional Supplies and Materials		487	
Uniforms		1,602	

(Continued)

## Exhibit J-7

Morgan County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types (Cont.)

Drug Control Fund (Cont.)Public Safety (Cont.)Drug Enforcement (Cont.)

Other Supplies and Materials	\$	905	
Trustee's Commission		562	
Law Enforcement Equipment		2,368	
Total Drug Enforcement			\$ 35,236

Total Drug Control Fund \$ 35,236

Constitutional Officers - Fees FundFinanceCounty Trustee's Office

Constitutional Officers' Operating Expenses	\$	163	
Total County Trustee's Office			\$ 163

County Clerk's Office

Constitutional Officers' Operating Expenses	\$	189	
Total County Clerk's Office			189

Administration of JusticeChancery Court

Deputy(ies)	\$	21,941	
Constitutional Officers' Operating Expenses		9,537	
Total Chancery Court			31,478

Total Constitutional Officers - Fees Fund 31,830

Highway/Public Works FundHighwaysAdministration

County Official/Administrative Officer	\$	71,743	
Secretary(ies)		24,544	
Longevity Pay		625	
Social Security		5,626	
Pensions		7,525	
Employee and Dependent Insurance		20,180	
Employer Medicare		1,316	
Dues and Memberships		3,095	
Legal Services		700	
Legal Notices, Recording, and Court Costs		190	
Printing, Stationery, and Forms		41	
Travel		300	
Office Supplies		1,516	
Other Charges		712	
Total Administration			\$ 138,113

Highway and Bridge Maintenance

Foremen	\$	35,985	
Equipment Operators		92,731	

(Continued)

## Exhibit J-7

Morgan County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types (Cont.)

Highway/Public Works Fund (Cont.)Highways (Cont.)Highway and Bridge Maintenance (Cont.)

Truck Drivers	\$	104,606	
Laborers		42,870	
Part-time Personnel		47,036	
Longevity Pay		13,125	
Social Security		19,488	
Pensions		22,038	
Employee and Dependent Insurance		85,358	
Employer Medicare		4,558	
Other Contracted Services		148,715	
Asphalt - Hot Mix		389,944	
Asphalt - Liquid		83,127	
Concrete		529	
Crushed Stone		97,174	
Pipe - Metal		35,416	
Road Signs		3,765	
Structural Steel		153	
Wood Products		191	
Total Highway and Bridge Maintenance			\$ 1,226,809

Operation and Maintenance of Equipment

Mechanic(s)	\$	73,589	
Part-time Personnel		8,658	
Longevity Pay		8,500	
Social Security		5,195	
Pensions		6,378	
Employee and Dependent Insurance		19,360	
Employer Medicare		1,214	
Other Contracted Services		12,450	
Diesel Fuel		91,773	
Equipment and Machinery Parts		52,137	
Garage Supplies		779	
Gasoline		26,954	
Lubricants		3,972	
Small Tools		30	
Tires and Tubes		14,408	
Uniforms		4,363	
Total Operation and Maintenance of Equipment			329,760

Other Charges

Communication	\$	6,122	
Electricity		10,270	
Natural Gas		1,973	
Water and Sewer		1,416	
Liability Insurance		36,985	
Trustee's Commission		20,637	
Other Charges		15	
Total Other Charges			77,418

(Continued)



## Exhibit J-7

Morgan County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types (Cont.)

Highway/Public Works Fund (Cont.)Highways (Cont.)Employee Benefits

Life Insurance	\$	288	
Unemployment Compensation		663	
Workers' Compensation Insurance		32,019	
Total Employee Benefits			\$ 32,970

Capital Outlay

Communication Equipment	\$	4,000	
Highway Equipment		154,622	
Motor Vehicles		38,835	
State Aid Projects		706,527	
Total Capital Outlay			903,984

Total Highway/Public Works Fund \$ 2,709,054

General Debt Service FundPrincipal on DebtGeneral Government

Principal on Other Loans	\$	238,000	
Total General Government			\$ 238,000

Education

Principal on Bonds	\$	375,000	
Principal on Notes		28,307	
Principal on Capital Leases		68,815	
Total Education			472,122

Interest on DebtGeneral Government

Interest on Other Loans	\$	135,874	
Total General Government			135,874

Education

Interest on Bonds	\$	112,235	
Interest on Notes		1,527	
Interest on Capital Leases		7,171	
Interest on Other Loans		389,347	
Total Education			510,280

Other Debt ServiceGeneral Government

Fiscal Agent Charges	\$	11,831	
Trustee's Commission		21,369	
Total General Government			33,200

Education

Underwriter's Discount	\$	55,827	
Other Debt Issuance Charges		149,275	

(Continued)

## Exhibit J-7

Morgan County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types (Cont.)

General Debt Service Fund (Cont.)Other Debt Service (Cont.)Education (Cont.)

Swap Termination Fee	\$ 1,310,000	
Other Debt Service	<u>49,977</u>	
Total Education		<u>\$ 1,565,079</u>

Total General Debt Service Fund \$ 2,954,555

General Capital Projects FundCapital ProjectsGeneral Administration Projects

Building Improvements	\$ <u>5,200</u>	
Total General Administration Projects		\$ 5,200

Administration of Justice Projects

Other Contracted Services	\$ <u>10,079</u>	
Total Administration of Justice Projects		10,079

Public Safety Projects

Other Charges	\$ 27,249	
Other Construction	<u>10,000</u>	
Total Public Safety Projects		37,249

Public Health and Welfare Projects

Other Equipment	\$ 7,402	
Other Construction	<u>465,080</u>	
Total Public Health and Welfare Projects		472,482

Social, Cultural, and Recreation Projects

Other Equipment	\$ 12,898	
Other Construction	<u>10,000</u>	
Total Social, Cultural, and Recreation Projects		<u>22,898</u>

Total General Capital Projects Fund 547,908

Total Governmental Funds - Primary Government \$ 15,722,984

## Exhibit J-8

Morgan County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Discretely Presented Morgan County School Department  
For the Year Ended June 30, 2017

General Purpose School FundInstructionRegular Instruction Program

Teachers	\$ 7,117,252	
Career Ladder Program	60,792	
Homebound Teachers	1,796	
Educational Assistants	372,118	
Bonus Payments	444,549	
Certified Substitute Teachers	69,448	
Non-certified Substitute Teachers	132,750	
Social Security	503,422	
Pensions	721,278	
Life Insurance	5,985	
Medical Insurance	1,195,425	
Dental Insurance	58,311	
Employer Medicare	116,834	
Instructional Supplies and Materials	42,245	
Textbooks - Bound	19,917	
Fee Waivers	24,228	
Other Charges	25,238	
Total Regular Instruction Program		\$ 10,911,588

Special Education Program

Teachers	\$ 882,112	
Career Ladder Program	5,000	
Homebound Teachers	8,830	
Educational Assistants	76,886	
Speech Pathologist	119,320	
Other Salaries and Wages	8,006	
Certified Substitute Teachers	2,859	
Non-certified Substitute Teachers	3,302	
Social Security	67,035	
Pensions	90,125	
Life Insurance	799	
Medical Insurance	136,494	
Dental Insurance	7,687	
Employer Medicare	15,677	
Other Contracted Services	32,712	
Instructional Supplies and Materials	18,281	
Total Special Education Program		1,475,125

Career and Technical Education Program

Teachers	\$ 615,794	
Career Ladder Program	2,000	
Secretary(ies)	20,679	
Educational Assistants	15,237	
Social Security	39,243	
Pensions	56,440	
Life Insurance	595	

(Continued)

## Exhibit J-8

Morgan County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Discretely Presented Morgan County School Department (Cont.)

General Purpose School Fund (Cont.)Instruction (Cont.)Career and Technical Education Program (Cont.)

Medical Insurance	\$	118,609	
Dental Insurance		5,589	
Employer Medicare		9,178	
Instructional Supplies and Materials		15,958	
Total Career and Technical Education Program			\$ 899,322

Support ServicesAttendance

Supervisor/Director	\$	71,552	
Social Security		4,165	
Pensions		6,333	
Life Insurance		35	
Medical Insurance		14,530	
Employer Medicare		974	
Travel		6,602	
Other Contracted Services		31,006	
Total Attendance			135,197

Health Services

Supervisor/Director	\$	71,552	
Career Ladder Program		1,000	
Medical Personnel		47,924	
Secretary(ies)		500	
Clerical Personnel		22,081	
Other Salaries and Wages		141,492	
Social Security		17,214	
Pensions		22,901	
Life Insurance		283	
Medical Insurance		35,253	
Dental Insurance		3,159	
Employer Medicare		4,026	
Communication		895	
Travel		3,989	
Drugs and Medical Supplies		7,680	
Other Supplies and Materials		361	
Other Charges		3,902	
Total Health Services			384,212

Other Student Support

Career Ladder Program	\$	1,000	
Guidance Personnel		285,468	
Educational Assistants		396	
Other Salaries and Wages		12,448	
Social Security		18,524	
Pensions		24,937	
Life Insurance		199	

(Continued)

## Exhibit J-8

Morgan County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Discretely Presented Morgan County School Department (Cont.)

General Purpose School Fund (Cont.)Support Services (Cont.)Other Student Support (Cont.)

Medical Insurance	\$	18,278	
Dental Insurance		1,334	
Employer Medicare		4,332	
Contracts with Government Agencies		59,204	
Evaluation and Testing		161	
Travel		10,571	
Other Supplies and Materials		7,981	
Other Charges		12,088	
Total Other Student Support			\$ 456,921

Regular Instruction Program

Supervisor/Director	\$	44,222	
Career Ladder Program		4,000	
Librarians		311,288	
Instructional Computer Personnel		252,846	
Secretary(ies)		40,536	
Bonus Payments		21,250	
Social Security		42,817	
Pensions		60,772	
Life Insurance		447	
Medical Insurance		106,905	
Dental Insurance		5,231	
Employer Medicare		10,014	
Communication		2,480	
Travel		2,379	
Other Contracted Services		23,352	
Library Books/Media		11,980	
Other Charges		5,097	
Other Equipment		239,532	
Total Regular Instruction Program			1,185,148

Special Education Program

Supervisor/Director	\$	65,910	
Career Ladder Program		7,000	
Clerical Personnel		28,741	
Other Salaries and Wages		21,516	
Social Security		7,596	
Pensions		10,484	
Life Insurance		71	
Medical Insurance		10,476	
Dental Insurance		900	
Employer Medicare		1,777	
Communication		844	
Postal Charges		77	
Travel		4,319	
Other Contracted Services		72,953	

(Continued)

## Exhibit J-8

Morgan County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Discretely Presented Morgan County School Department (Cont.)

General Purpose School Fund (Cont.)Support Services (Cont.)Special Education Program (Cont.)

In Service/Staff Development	\$	9,082	
Other Charges		16,355	
Total Special Education Program			\$ 258,101

Career and Technical Education Program

Supervisor/Director	\$	62,698	
Social Security		3,828	
Pensions		5,668	
Life Insurance		31	
Medical Insurance		5,956	
Dental Insurance		278	
Employer Medicare		895	
Travel		243	
Other Charges		1,177	
Total Career and Technical Education Program			80,774

Technology

Internet Connectivity	\$	40,517	
Software		37,521	
Total Technology			78,038

Other Programs

On-behalf Payments to OPEB	\$	60,728	
Total Other Programs			60,728

Board of Education

Board and Committee Members Fees	\$	11,000	
Social Security		682	
Unemployment Compensation		15,141	
Employer Medicare		160	
Payments to Retirees		53,000	
Audit Services		10,300	
Dues and Memberships		5,754	
Legal Services		1,708	
Travel		6,641	
Other Contracted Services		3,534	
Liability Insurance		172,856	
Trustee's Commission		96,823	
Workers' Compensation Insurance		73,596	
Other Charges		11,659	
Total Board of Education			462,854

Director of Schools

County Official/Administrative Officer	\$	96,425	
Assistant(s)		71,611	
Career Ladder Program		1,000	

(Continued)

Exhibit J-8

Morgan County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Discretely Presented Morgan County School Department (Cont.)

General Purpose School Fund (Cont.)

Support Services (Cont.)

Director of Schools (Cont.)

Secretary(ies)	\$	30,654	
Social Security		12,053	
Pensions		17,524	
Life Insurance		90	
Medical Insurance		21,234	
Dental Insurance		820	
Employer Medicare		2,819	
Communication		9,690	
Dues and Memberships		5,278	
Travel		10,750	
Other Contracted Services		31,032	
Office Supplies		1,290	
Other Charges		108,362	
Total Director of Schools			\$ 420,632

Office of the Principal

Principals	\$	487,460	
Career Ladder Program		7,958	
Assistant Principals		352,096	
Secretary(ies)		147,507	
Clerical Personnel		89,010	
Social Security		66,481	
Pensions		93,309	
Life Insurance		696	
Medical Insurance		108,038	
Dental Insurance		4,098	
Employer Medicare		15,548	
Communication		19,213	
Travel		1,520	
Other Contracted Services		82,013	
Total Office of the Principal			1,474,947

Operation of Plant

Custodial Personnel	\$	597,095	
Other Salaries and Wages		41,649	
Social Security		39,347	
Pensions		50,659	
Life Insurance		606	
Medical Insurance		91,170	
Dental Insurance		261	
Employer Medicare		9,202	
Other Contracted Services		35,070	
Custodial Supplies		63,660	
Electricity		727,128	
Natural Gas		94,127	
Water and Sewer		101,726	
Other Charges		410	
Total Operation of Plant			1,852,110

(Continued)

## Exhibit J-8

Morgan County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Discretely Presented Morgan County School Department (Cont.)

General Purpose School Fund (Cont.)Support Services (Cont.)Maintenance of Plant

Supervisor/Director	\$	48,071	
Maintenance Personnel		98,111	
Social Security		9,013	
Pensions		11,358	
Life Insurance		114	
Medical Insurance		20,411	
Dental Insurance		507	
Employer Medicare		2,108	
Communication		1,604	
Maintenance and Repair Services - Buildings		82,951	
Travel		750	
Other Contracted Services		40,802	
Other Supplies and Materials		12,969	
Other Charges		43,234	
Maintenance Equipment		12,460	
Total Maintenance of Plant			\$ 384,463

Transportation

Supervisor/Director	\$	51,091	
Mechanic(s)		58,622	
Bus Drivers		448,609	
Social Security		34,333	
Pensions		40,251	
Life Insurance		569	
Medical Insurance		12,053	
Dental Insurance		507	
Employer Medicare		8,029	
Communication		1,451	
Travel		2,301	
Other Contracted Services		16,657	
Diesel Fuel		64,172	
Equipment and Machinery Parts		9,993	
Gasoline		22,186	
Lubricants		4,942	
Natural Gas		3,525	
Propane Gas		15,178	
Tires and Tubes		22,579	
Vehicle Parts		55,876	
Other Charges		11,770	
Transportation Equipment		300,867	
Total Transportation			1,185,561

Operation of Non-instructional ServicesEarly Childhood Education

Supervisor/Director	\$	23,590
Teachers		423,727

(Continued)



## Exhibit J-8

Morgan County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Discretely Presented Morgan County School Department (Cont.)

General Purpose School Fund (Cont.)Operation of Non-instructional Services (Cont.)Early Childhood Education (Cont.)

Bus Drivers	\$	51,735	
Clerical Personnel		11,189	
Educational Assistants		338,363	
Certified Substitute Teachers		252	
Non-certified Substitute Teachers		8,160	
Social Security		50,031	
Pensions		64,926	
Life Insurance		539	
Medical Insurance		81,769	
Dental Insurance		2,579	
Employer Medicare		11,701	
Travel		18,061	
Other Contracted Services		3,524	
Food Supplies		7,560	
Instructional Supplies and Materials		98,170	
Other Supplies and Materials		4,347	
In Service/Staff Development		5,756	
Other Charges		7,627	
Other Equipment		7,569	
Total Early Childhood Education			\$ 1,221,175

Other Debt ServiceEducation

Fiscal Agent Charges	\$	706	
Debt Service Contribution to Primary Government		593,055	
Total Education			<u>593,761</u>

Total General Purpose School Fund \$ 23,520,657

School Federal Projects FundInstructionRegular Instruction Program

Teachers	\$	446,148	
Educational Assistants		40,862	
Bonus Payments		94,375	
Certified Substitute Teachers		560	
Non-certified Substitute Teachers		1,430	
Social Security		36,085	
Pensions		51,903	
Life Insurance		314	
Medical Insurance		71,484	
Dental Insurance		3,979	
Unemployment Compensation		2,624	
Employer Medicare		8,439	
Other Contracted Services		54,590	
Instructional Supplies and Materials		25,597	
Regular Instruction Equipment		90,532	
Total Regular Instruction Program			\$ 928,922

(Continued)

## Exhibit J-8

Morgan County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Discretely Presented Morgan County School Department (Cont.)

School Federal Projects Fund (Cont.)Instruction (Cont.)Special Education Program

Educational Assistants	\$	413,838	
Speech Pathologist		42,894	
Certified Substitute Teachers		3,969	
Social Security		28,381	
Pensions		35,948	
Life Insurance		567	
Medical Insurance		45,914	
Dental Insurance		84	
Unemployment Compensation		3,276	
Employer Medicare		6,638	
Other Contracted Services		24,000	
Instructional Supplies and Materials		828	
Total Special Education Program			\$ 606,337

Career and Technical Education Program

Instructional Supplies and Materials	\$	1,714	
Other Supplies and Materials		1,738	
Vocational Instruction Equipment		24,883	
Total Career and Technical Education Program			28,335

Support ServicesOther Student Support

Other Salaries and Wages	\$	2,200	
Social Security		83	
Pensions		90	
Unemployment Compensation		4	
Employer Medicare		20	
Travel		8,000	
In Service/Staff Development		12,258	
Other Charges		9,935	
Total Other Student Support			32,590

Regular Instruction Program

Supervisor/Director	\$	71,552	
Secretary(ies)		24,826	
Other Salaries and Wages		105,531	
Certified Substitute Teachers		280	
Social Security		12,478	
Pensions		17,927	
Life Insurance		125	
Medical Insurance		23,699	
Dental Insurance		1,326	
Unemployment Compensation		385	
Employer Medicare		2,918	
Postal Charges		49	
Travel		19,736	

(Continued)

## Exhibit J-8

Morgan County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Discretely Presented Morgan County School Department (Cont.)

School Federal Projects Fund (Cont.)Support Services (Cont.)Regular Instruction Program (Cont.)

Other Contracted Services	\$	42,920	
Other Supplies and Materials		340	
In Service/Staff Development		31,227	
Total Regular Instruction Program			\$ 355,319

Special Education Program

Other Salaries and Wages	\$	65,326	
Social Security		4,050	
Pensions		2,245	
Life Insurance		17	
Dental Insurance		422	
Unemployment Compensation		216	
Employer Medicare		947	
Other Contracted Services		120,778	
Total Special Education Program			194,001

Career and Technical Education Program

In Service/Staff Development	\$	3,326	
Other Charges		1,225	
Other Equipment		838	
Total Career and Technical Education Program			5,389

Office of the Principal

Bonus Payments	\$	7,500	
Social Security		465	
Pensions		678	
Unemployment Compensation		90	
Employer Medicare		109	
Total Office of the Principal			8,842

Total School Federal Projects Fund \$ 2,159,735

Central Cafeteria FundOperation of Non-instructional ServicesFood Service

Supervisor/Director	\$	63,321	
Clerical Personnel		23,342	
Cafeteria Personnel		546,110	
Social Security		38,736	
Pensions		47,147	
Life Insurance		765	
Medical Insurance		47,114	
Dental Insurance		507	
Employer Medicare		9,052	
Maintenance and Repair Services - Equipment		77,131	
Travel		12,906	

(Continued)

Exhibit J-8

Morgan County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Discretely Presented Morgan County School Department (Cont.)

Central Cafeteria Fund (Cont.)

Operation of Non-instructional Services (Cont.)

Food Service (Cont.)

Other Contracted Services	\$	40,078	
Food Preparation Supplies		53,087	
Food Supplies		854,137	
Office Supplies		957	
Uniforms		3,801	
USDA - Commodities		194,521	
Other Supplies and Materials		13,766	
In Service/Staff Development		13,774	
Other Charges		1,934	
Food Service Equipment		68,824	
Total Food Service			\$ 2,111,010

Community Services

Part-time Personnel	\$	25,224	
Social Security		1,564	
Pensions		1,851	
Employer Medicare		366	
Maintenance and Repair Services - Equipment		3,350	
Travel		329	
Food Preparation Supplies		394	
Food Supplies		13,471	
Total Community Services			46,549

Total Central Cafeteria Fund \$ 2,157,559

Total Governmental Funds - Morgan County School Department \$ 27,837,951

Exhibit J-9

Morgan County, Tennessee  
Schedule of Detailed Receipts, Disbursements,  
and Changes in Cash Balances - City Agency Funds  
For the Year Ended June 30, 2017

	Cities - Sales Tax Fund	Cities - Property Tax Fund	Total
<u>Cash Receipts</u>			
Current Property Tax	\$ 0	\$ 46,931	\$ 46,931
Prior Year's Property Tax	0	2,001	2,001
Interest and Penalty	0	381	381
Local Option Sales Tax	358,960	0	358,960
Total Cash Receipts	<u>\$ 358,960</u>	<u>\$ 49,313</u>	<u>\$ 408,273</u>
<u>Cash Disbursements</u>			
Remittance of Revenues Collected	\$ 355,370	\$ 48,327	\$ 403,697
Trustee's Commission	3,590	986	4,576
Total Cash Disbursements	<u>\$ 358,960</u>	<u>\$ 49,313</u>	<u>\$ 408,273</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	\$ 0	\$ 0	\$ 0
Cash Balance, July 1, 2016	0	0	0
Cash Balance, June 30, 2017	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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## SINGLE AUDIT SECTION

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JUSTIN P. WILSON  
*Comptroller*

JASON E. MUMPOWER  
*Chief of Staff*

**Independent Auditor's Report on Internal Control Over Financial Reporting and  
on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance With *Government Auditing Standards***

Morgan County Executive and  
Board of County Commissioners  
Morgan County, Tennessee

To the County Executive and Board of County Commissioners:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Morgan County, Tennessee, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Morgan County's basic financial statements, and have issued our report thereon dated January 25, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Morgan County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Morgan County's internal control. Accordingly, we do not express an opinion on the effectiveness of Morgan County's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control

that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies: 2017-001, 2017-002, and 2017-003.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Morgan County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying Schedule of Findings and Questioned Costs as items: 2017-004, 2017-005, and 2017-006.

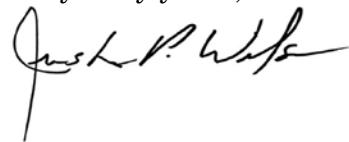
### **Morgan County's Responses to Findings**

Morgan County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Morgan County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Morgan County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Very truly yours,



Justin P. Wilson  
Comptroller of the Treasury  
Nashville, Tennessee

January 25, 2018

JPW/sb





JUSTIN P. WILSON  
*Comptroller*

JASON E. MUMPOWER  
*Chief of Staff*

**Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance and on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

Morgan County Executive and  
Board of County Commissioners  
Morgan County, Tennessee

To the County Executive and Board of County Commissioners:

**Report on Compliance for Each Major Federal Program**

We have audited Morgan County's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Morgan County's major federal programs for the year ended June 30, 2017. Morgan County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Morgan County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Morgan County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Morgan County's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Morgan County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

### **Report on Internal Control Over Compliance**

Management of Morgan County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Morgan County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Morgan County's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

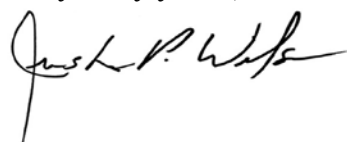
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

## Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Morgan County, Tennessee, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Morgan County's basic financial statements. We issued our report thereon dated January 25, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Very truly yours,



Justin P. Wilson  
Comptroller of the Treasury  
Nashville, Tennessee

January 25, 2018

JPW/sb

Morgan County, Tennessee, and the Morgan County School Department  
Schedule of Expenditures of Federal Awards and State Grants (1) (2)  
For the Year-Ended June 30, 2017

Federal/Pass-Through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Education:			
Child Nutrition Cluster: (4)			
School Breakfast Program	10.553	N/A	\$ 628,463
National School Lunch Program	10.555	N/A	1,386,251 (5)
Passed-through State Department of Agriculture:			
Child Nutrition Cluster: (4)			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	194,521 (5)
Passed-through State Department of Health and Human Services:			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	GG-1750546	11,370
Total U.S. Department of Agriculture			<u>\$ 2,220,605</u>
U.S. Department of Military:			
Passed-through State Department of General Services:			
Section 1033 Excess Property Program (Noncash Assistance)	12.U01	N/A	\$ 47,293 (6)
Total U.S. Department of Military			<u>\$ 47,293</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grants/State's Program	14.228	(3)	\$ 100,882
Total U.S. Department of Housing and Urban Development			<u>\$ 100,882</u>
U.S. Department of the Interior:			
Passed-through State Department of Environment and Conservation:			
Abandoned Mine Land Reclamation (AMLR) Program	15.252	(3)	\$ 374,853
Total U.S. Department of the Interior			<u>\$ 374,853</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Interagency Hazardous Materials Public Sector Training and Planning Grant	20.703	(3)	\$ 6,720
Total U.S. Department of Transportation			<u>\$ 6,720</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Title 1 Grants to Local Educational Agencies	84.010	N/A	\$ 731,688
Special Education Cluster: (4)			
Special Education - Grants to States	84.027	N/A	802,104
Special Education - Preschool Grants	84.173	N/A	33,410
Career and Technical Education - Basic Grants to States	84.048	N/A	56,379
Rural Education	84.358	N/A	74,305
Improving Teacher Quality State Grants	84.367	N/A	176,251
Teacher Incentive Fund	84.374	N/A	295,773
Total U.S. Department of Education			<u>\$ 2,169,910</u>

(Continued)

Morgan County, Tennessee, and the Morgan County School Department  
Schedule of Expenditures of Federal Awards and State Grants (1) (2) (Cont.)

Federal/Pass-Through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Health and Human Services:			
Passed-through State Department of Health and Human Services:			
Family Planning - Services	93.217	GG-1750546	\$ 1,391
Child Care and Development Block Grant	93.575	(3)	40,363
Medical Assistance Program	93.778	GG-1750546	5,863
HIV Prevention Activities - Health Department Based	93.940	GG-1750546	123
Preventive Health Services - Sexually Transmitted Diseases Control Grant	93.977	GG-1750546	98
Maternal and Child Health Services Block Grant to the States	93.994	GG-1750546	2,858
Total U.S. Department of Health and Human Services			<u>\$ 50,696</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Emergency Management Performance Grants	97.042	(3)	\$ 8,560
Homeland Security Grant Program	97.067	(3)	14,373
Total U.S. Department of Homeland Security			<u>\$ 22,933</u>
Total Expenditures of Federal Grants			<u>\$ 4,993,892</u>
State Grants		Contract Number	
Health Department Program - State Department of Health	N/A	(3)	\$ 4,701
Adult Drug Court - State Administrative Offices of the Court	N/A	(3)	57,307
Juvenile Services Program - State Childrens Services Commission	N/A	(3)	9,405
Family Resource Center	N/A	(3)	29,612
Safe Schools - State Department of Education	N/A	(3)	20,000
Coordinated School Health - State Department of Education	N/A	(3)	100,000
ConnecTenn - State Department of Education	N/A	(3)	8,155
Litter Program - State Department of Transportation	N/A	(3)	33,660
Waste Tire Grant - State Department of Environment and Conservation	N/A	(3)	4,932
Used Oil Grant - State Department of Environment and Conservation	N/A	(3)	7,402
Three-Star 911 Grant - State Department of Economic and Community Development	N/A	(3)	10,000
TN Clean Energy Grant Program - State Department of Economic and Community Development	N/A	(3)	19,378
Archives Equipment Grant - Secretary of State	N/A	(3)	5,500
Narrow Band Repeater Grant	N/A	(3)	10,000
Safe Routes to Schools	N/A	(3)	10,000
Early Childhood Education - State Department of Education	N/A	(3)	641,009
Total State Grants			<u>\$ 971,061</u>

CFDA = Catalog of Federal Domestic Assistance

N/A = Not Applicable

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
- (2) Morgan County elected not to use the 10% de minimus cost rate permitted in the Uniform Guidance.
- (3) Information not available.
- (4) Child Nutrition Cluster total \$2,209,235; Special Education Cluster total \$835,514.
- (5) Total for CFDA No. 10.555 is \$1,580,772.
- (6) During the year ended June 30, 2017, Morgan County received excess military equipment from the U.S. Department of Military valued at \$47,293.

Morgan County, Tennessee  
Summary Schedule of Prior-year Findings  
For the Year Ended June 30, 2017

*Government Auditing Standards* require auditors to report the status of uncorrected findings from prior audits. In addition, OMB's Uniform Guidance requires auditees to report the status of all prior-year findings whether corrected or not. Presented below are financial statement findings along with their current status from the Annual Financial Report for Morgan County, Tennessee, for the year ended June 30, 2017.

***Prior-year Financial Statement Findings***

Fiscal Year	Page Number	Finding Number	Title of Finding	CFDA Number	Current Status
2016	178	2016-001	Bank Statements were not Reconciled with the General Ledger in a Timely Manner in the Office of Trustee	N/A	Not Corrected - See Explanation on Corrective Action Plan
2016	179	2016-002	The Sheriff had not Formally Documented Internal Controls	N/A	Corrected
2016	179	2016-003	The Offices of Director of Finance, Register of Deeds, and Sheriff had a Lack of Segregation of Duties	N/A	Corrected by Director of Finance  Not Corrected by the Register of Deeds and Sheriff See Explanation on Corrective Action Plan

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***Prior-year Federal Award Findings***

There were no prior-year federal award findings to report.

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**MORGAN COUNTY, TENNESSEE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2017**

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**PART I, SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements:**

1. Our report on the financial statements of Morgan County is unmodified.
2. Internal Control Over Financial Reporting:
  - \* Material weakness identified? **NO**
  - \* Significant deficiency identified? **YES**
3. Noncompliance material to the financial statements noted? **NO**

**Federal Awards:**

4. Internal Control Over Major Federal Programs:
  - \* Material weakness identified? **NO**
  - \* Significant deficiency identified? **NONE REPORTED**
5. Type of report auditor issued on compliance for major programs. **UNMODIFIED**
6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **NO**
7. Identification of Major Federal Programs:
  - \* CFDA Numbers: 84.010 Title I Grants to Local Education Agencies
  - \* CFDA Numbers: 84.027 and 84.173 Special Education Cluster: Special Education - Grants to States and Special Education - Preschool Grants
8. Dollar threshold used to distinguish between Type A and Type B Programs. **\$750,000**
9. Auditee qualified as low-risk auditee? **YES**

## **PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS**

Findings and recommendations, as a result of our audit and an investigation performed by the Comptroller's Division of Investigation, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. Written responses for all findings are paraphrased and presented following each finding and recommendation. Management's corrective action plans, whether related to the financial statements or federal awards, are presented separately in the Management's Corrective Action Plan in the Single Audit Section of this report. Findings relating specifically to the audit of federal awards, if any, are separately presented under Part III, Findings and Questioned Costs for Federal Awards.

### **OFFICE OF TRUSTEE**

#### **FINDING 2017-001**

#### **BANK STATEMENTS WERE NOT ACCURATELY RECONCILED WITH THE GENERAL LEDGER IN A TIMELY MANNER**

(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

Bank statements were not accurately reconciled with the general ledger in a timely manner. The trustee attempted to reconcile the accounts; however, immaterial differences were reflected on the reconciliations on June 30, 2017, which had not been identified and corrected. These unidentified reconciling differences had accumulated during the current- and prior-years and had not been identified or corrected when auditors arrived in November 2017. Furthermore, as of December 2017, the trustee had not attempted to reconcile two bank accounts since July 2017, and another account since September 2017. Sound business practices dictate that bank statements should be reconciled with the general ledger monthly, and any differences should be identified and corrected promptly. These deficiencies were the result of the trustee failing to accurately reconcile the accounts on a current basis and failing to identify the reasons for any reconciling differences.

#### **RECOMMENDATION**

Bank statements should be reconciled with the general ledger monthly, and any differences discovered should be corrected promptly.

#### **MANAGEMENT'S RESPONSE – TRUSTEE**

I've reviewed the 2016-2017 audit finding and am deeply sorry I got behind in my duties. I am working towards getting this matter corrected at this time.

---



## **OFFICE OF SHERIFF**

**FINDING 2017-002**

### **THE SHERIFF'S DEPARTMENT HAD PAYROLL RELATED DEFICIENCIES**

(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

Our examination revealed the following deficiencies in the maintenance of payroll records for the Sheriff's Department. These deficiencies can be attributed to a lack of management oversight.

- A. We noted that the payroll summary information provided to the Finance Office and used to process payroll did not always agree with the corresponding employee time sheets. The payroll summary information compiled in the Sheriff's Department and forwarded to the Finance Office reflected leave, both sick and vacation, being taken that did not correspond to the employee's signed time sheets. It was noted that these discrepancies involved approximately four employees of the Sheriff's Department and involved numerous pay periods during the year. We also noted instances where the summary information reflected employees as working and leave being taken on the same days. In these instances, the employees were paid overtime. We noted one instance where vacation leave reflected on the time sheet was changed to sick leave on the payroll summary information. In most instances, the undocumented leave was added to the summary information, and the employee was paid the leave in addition to their regular pay and any overtime. There was no indication that employees had approved or were aware of these changes. As a result, improper payments to employees may have been made, and employee leave balances may have been reduced. Sound business practices dictate that summary level information should agree with the applicable supporting documentation.
- B. In some instances, supervisors at the Sheriff's Department did not sign employees' time sheets as evidence of review and approval. Sound business practices dictate that payroll time sheets should be properly reviewed and approved. If supervisors do not review and approve time sheets, risks increase that improper payments could result.

## **RECOMMENDATION**

Payroll summary information remitted to the Finance Office by the Sheriff's Department should correspond with the individual employee time sheets, and the summary information should be reviewed and signed by the sheriff. Supervisors should sign the employees' time sheets as evidence of review and approval. Any adjustments to the time sheets made by supervisors should be documented and signed by both the employee and the supervisor to indicate approval and review.

## MANAGEMENT'S RESPONSE – SHERIFF

We agree with the finding. Payroll summary information will be reviewed for accuracy and signed by the sheriff before being remitted to the Finance Office. Supervisors will review and sign all employee time sheets for accuracy. Any adjustments made to the time sheets will be documented and signed by both the employee and the supervisor.

---

## OFFICES OF REGISTER OF DEEDS AND SHERIFF

### FINDING 2017-003

### **DUTIES WERE NOT SEGREGATED ADEQUATELY**

(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

Duties were not segregated adequately among the officials and employees in the Offices of Register of Deeds and Sheriff. Officials and employees responsible for maintaining accounting records were also involved in receipting, depositing, and/or disbursing funds. Sound business practices dictate that internal controls be designed to provide reasonable assurance of the reliability of financial reporting and of the effectiveness and efficiency of operations. This lack of segregation of duties is the result of management's decisions based on the availability of financial resources and is a significant deficiency in internal controls that increases the risk of unauthorized transactions, management's failure to correct the finding noted in the prior-year audit report, and management's failure to implement their corrective action plan.

### RECOMMENDATION

Management should segregate duties to the extent possible using available resources.

## MANAGEMENT'S RESPONSE – REGISTER OF DEEDS

We concur with this finding. Our office has not had the resources available to accommodate this and we have done the best we can with the resources available.

## MANAGEMENT'S RESPONSE – SHERIFF

We concur with this finding, but we already have filed a lawsuit against the county for additional funds. Our office has not had the resources available to accommodate this and we have done the best we can with the resources available.

### AUDITOR'S COMMENT

The Comptroller's Office and County Technical Assistance Service have provided guidelines to assist officials in properly segregating duties. These guidelines include suggestions for small offices with as few as two employees. We have not recommended hiring additional employees. We realize that due to limited resources and personnel, management may not be able to fully segregate duties among employees. However, duties should be segregated to the extent possible.

---

## **OTHER FINDINGS**

### **FINDING 2017-004**

#### **THE COUNTY'S AUDIT COMMITTEE IS NOT A FUNCTIONING COMMITTEE**

(Noncompliance Under *Government Auditing Standards*)

Morgan County participates in the ThreeStar Program through the Tennessee Department of Economic and Community Development to assist the county's community development efforts in competing for jobs and attracting industry. One of the requirements of the ThreeStar Program is that the county must create and maintain an Audit Committee. Morgan County created an Audit Committee on February 10, 2014, as provided by Section 9-3-405, *Tennessee Code Annotated*; however, there are no minutes to document that this Audit Committee has met or conducted any business since its February 16, 2016, meeting. Without a functioning Audit Committee, the county commission does not have independent and objective reviews of the financial reporting process, internal controls, the audit function, and monitoring management's plans to address various risks.

### **RECOMMENDATION**

The county's Audit Committee should be a functioning committee, maintain minutes of its meetings, and annually present a written committee report detailing how it discharged its duties and any committee recommendations to the full county commission.

### **MANAGEMENT'S RESPONSE – COUNTY EXECUTIVE AND DIRECTOR OF FINANCE**

The county executive and director of finance will assess the status of the Audit Committee and present a plan to the Morgan County Commission to re-establish a functioning Audit Committee within the next sixty (60) days.

---

## **INVESTIGATIVE FINDINGS AND RECOMMENDATIONS**

### **OFFICE OF SHERIFF**

#### **FINDING 2017-005**

#### **THE OFFICE HAD DEFICIENCIES IN THE OPERATION OF A COMMISSARY**

(Noncompliance Under *Government Auditing Standards*)

The Sheriff's Department operated a commissary to provide inmates with various items. Our examination revealed the following deficiencies. These deficiencies weaken internal controls over collections, increasing risks of fraud and misappropriation, and can be attributed to a lack of management oversight.

- A. A cash shortage of \$140.60 existed in commissary funds. On December 12, 2015, \$141.32 was receipted from an inmate in booking and into the commissary accounting system. Due to an emergency in the jail, these funds were not deposited into the commissary bank account but locked in the jail's safe. On December 31, 2015, the \$141.32 in the jail's safe was returned to the inmate upon discharge. However, because the funds had been entered into the

commissary accounting system, the inmate was able to purchase \$140.60 of commissary items, resulting in a cash shortage.

- B. Official prenumbered receipts were not issued for some commissary collections. Section 9-2-103, *Tennessee Code Annotated*, requires prenumbered receipts for all collections.
- C. An activity log was not used to document items placed in or taken out of the jail's safe. Sound business practice dictates that an activity log should be used detailing each individual transaction and the year-to-date cash balance within the jail's safe.

#### RECOMMENDATION

Inmates should only be able to spend commissary funds deposited into the bank account. Official prenumbered receipts should be used for all collections as required by state statute, and activity logs should be used for each individual transaction within the jail's safe.

#### MANAGEMENT'S RESPONSE – FORMER CHIEF DEPUTY STEVE COCHRAN ON BEHALF OF THE SHERIFF

The finding about the commissary account has been resolved. The person that was maintaining the commissary is no longer here, and a new person is now handling the commissary.

---

#### FINDING 2017-006

#### **A SCHOOL RESOURCE OFFICER WAS NOT CERTIFIED** (Noncompliance Under *Government Auditing Standards*)

A county Sheriff's Department employee serving as a school resource officer was not properly certified by the Peace Officer Standards Training Commission (POST). Section 49-6-4202, *Tennessee Code Annotated*, and Goal 2, Recommendation 1 of the State Department of Education's *Recommended Standards for the Eligibility, Qualifications and Training of School Resource Officers*, requires that school resource officers must be POST certified. Due to the lack of POST certification, we cannot determine whether this officer has the proper training and experience to adequately perform his responsibilities. This area of noncompliance is due to a lack of management oversight.

#### RECOMMENDATION

The Sheriff's Department and the School Department should ensure all school resource officers are POST certified as required by state statute.

#### MANAGEMENT'S RESPONSE – FORMER CHIEF DEPUTY STEVE COCHRAN ON BEHALF OF THE SHERIFF

All school resource officers are now POST certified.

### **PART III, FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

There were no findings and questioned costs related to federal awards for the year ended June 30, 2017.

**Morgan County, Tennessee**  
**Management's Corrective Action Plan**  
**For the Year Ended June 30, 2017**

We reviewed the financial statement and federal award findings and recommendations with management to provide an opportunity for their response as required by the auditee requirements within Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Management's corrective action plans for all financial statement findings and federal award findings are presented in this section and have been indexed below. The corrective action plans were prepared by management and have been presented as they were submitted.

Finding Number	Title of Finding	Corrective Action Plan Page Number
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**OFFICE OF TRUSTEE**

2017-001	Bank Statements were not Accurately Reconciled with the General Ledger in a Timely Manner	188
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**OFFICE OF REGISTER OF DEEDS**

2017-003	Duties were not Segregated Adequately	184
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**OFFICE OF SHERIFF**

2017-002	The Sheriff's Department had Payroll Related Deficiencies	185
2017-003	Duties were not Segregated Adequately	185-186
2017-005	The Office had Deficiencies in the Operation of a Commissary	186
2017-006	A School Resource Officer was not Certified	186-187

**OFFICES OF COUNTY EXECUTIVE AND DIRECTOR OF FINANCE**

2017-004	The County's Audit Committee is not a Functioning Committee	183
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# Morgan County Government

Don Edwards, Executive  
415 N. Kingston St.  
PO Box 387  
Wartburg, TN 37887



Don Edwards, Chairman  
(423) 346-6288  
Fax: (423) 346-9707  
[edwardsd@mcsed.net](mailto:edwardsd@mcsed.net)  
[www.morgancountytn.gov](http://www.morgancountytn.gov)

*Morgan County is a community where God is honored, where our children are safe and well educated, and where hard working, industrious citizens have ample opportunity for good jobs.*

## CORRECTIVE ACTION PLAN

FINDING: THE COUNTY'S AUDIT COMMITTEE IS NOT A FUNCTIONING COMMITTEE

RESPONSE AND CORRECTIVE ACTION PLAN PREPARED BY:

Don Edwards, County Executive and County Commission Chairman

PERSON RESPONSIBLE FOR IMPLEMENTING THE CORRECTIVE ACTION:

Morgan County Commission, Don Edwards, Chairman

ANTICIPATED COMPLETION DATE OF CORRECTIVE ACTION:

March 12<sup>th</sup>, 2018

REPEAT FINDING:

No

PLANNED CORRECTIVE ACTION:

The Morgan County Commission will re-establish a functioning Audit Committee within the next thirty (30) to sixty (60) days.



Don Edwards  
County Executive &  
County Commission Chairman



Gary D. Howard  
Director of Finance

**MORGAN COUNTY REGISTER OF DEEDS**

**SANDY DALTON**

**P O BOX 311**

**WARTBURG TN 37887**

**423-346-3105**

DUTIES WERE NOT SEGREGATED ADEQUATELY

Response and Corrective Action Plan Prepared by:

Sandy Dalton, Register of  
Deeds, Morgan County,  
Tennessee

Person Responsible for Implementing the Corrective Action:

Same

Anticipated Completion Date of Corrective Action:

June 30, 2018

Repeat Finding:

Yes

Reason Why Corrective Action was Taken-PY

See below

Planned Corrective Action:

Our office has not had the resources available to accommodate this.  
We do the best we can with the resources available.

Thank You,

*Sandy L. Dalton*

Sandy L Dalton  
Register of Deeds  
Morgan County, Tennessee





# ***Morgan County Sheriff's Office***

**Post Office Box 469  
Wartburg, Tennessee 37887**

**Sheriff Glen Freytag**

**(423) 346-6262  
(865) 435-0884**

## **Corrective Action Plan**

**FINDING: THE SHERIFF'S DEPARTMENT HAD PAYROLL  
RELATED DEFICIENCIES**

**Response and Corrective Action Plan Prepared by:**  
Glen Freytag, Sheriff

**Person Responsible for Implementing the Corrective Action:**  
Glen Freytag, Sheriff

**Anticipated Completion Date of Corrective Action:**  
Immediately

**Repeat Finding:**  
No

### **Planned Corrective Action:**

Payroll summary information will be reviewed for accuracy and signed by the sheriff before being remitted to the Finance Office. Supervisors will review and sign all employee time sheets for accuracy. Any adjustments made to the time sheets will be documented and signed by both the employee and the supervisor.

---

**FINDING: DUTIES WERE NOT SEGREGATED ADEQUATELY**

**Response and Corrective Action Plan Prepared by:**  
Glen Freytag, Sheriff

**Person Responsible for Implementing the Corrective Action:**  
Glen Freytag, Sheriff

**Anticipated Completion Date of Corrective Action:**  
June 30, 2018

**Repeat Finding:**

Yes

**Reason Corrective Action was Not Taken in the Prior Year:**

Short staffed, not enough funding.

**Planned Corrective Action:**

We are in the middle of a lawsuit with Morgan County. I see no way to resolve this until funding for more employees is given to us by our county government.

---

**FINDING: THE OFFICE HAD DEFICIENCIES IN THE OPERATION OF A COMMISSARY**

**Response and Corrective Action Plan Prepared by:**

Glen Freytag, Sheriff

**Person Responsible for Implementing the Corrective Action:**

Glen Freytag, Sheriff

**Anticipated Completion Date of Corrective Action:**

Immediately

**Repeat Finding:**

No

**Planned Corrective Action:**

The finding about the commissary account has been resolved. The person that was maintaining the commissary is no longer employed, and a new person is now handling the commissary.

---

**FINDING: A SCHOOL RESOURCE OFFICE WAS NOT CERTIFIED**

**Response and Corrective Action Plan Prepared by:**

Glen Freytag, Sheriff

**Person Responsible for Implementing the Corrective Action:**

Glen Freytag, Sheriff

**Anticipated Completion Date of Corrective Action:**

Immediately

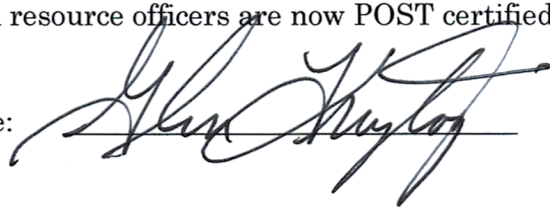
**Repeat Finding:**

No

**Planned Corrective Action:**

All school resource officers are now POST certified.

Signature:

A handwritten signature in black ink, appearing to read "Glen Kuylen", written over a horizontal line.



## MORGAN COUNTY TRUSTEE

CINDI JONES

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**BANK STATEMENTS WERE NOT ACCURATELY RECONCILED WITH THE  
GENERAL LEDGER IN A TIMELY MANNER**

Response and Corrective Action Plan Prepared by	Cindi Jones, Trustee Morgan Co. Tenn
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Person Responsible for implementing the Action	Same
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Anticipated Completion Date of Corrective Action	June 30, 2018
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Repeat Finding	Yes
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Reason Why Corrective action was not taken:

I made an attempt at correcting the problem, but was unable to identify the reason for all reconciling differences.

Planned Corrective Action:

I'm going to seek outside help in reconciling these statements

Thank You

Cindi Jones

Morgan County Trustee